

Audited Financial Statements

MISSION: Pre-Born, Inc.

September 30, 2018 and 2017



LEMLERGROUP
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 statements of financial position as of September 30, 2018 and 2017, and the statements of activities and changes in net assets, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018 and 2017, and the results of its statements of activities and changes in net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lemler Group, LLC
Indianapolis, Indiana

November 5, 2018

MISSION: Pre-Born, Inc.

Statement of Financial Position September 30, 2018

ASSETS

| | Unrestricted | Temporarily Restricted | 2018 Total |
|---------------------------|---------------------|-----------------------------------|-----------------------|
| Current Assets | | | |
| Cash and cash equivalents | \$ 618,367 | \$ - | \$ 618,367 |
| Accounts receivable | 26,534 | - | 26,534 |
| Prepaid expenses | 23,404 | - | 23,404 |
| Total current assets | 668,305 | - | 668,305 |
| Fixed assets | | | |
| Office equipment | 13,969 | - | 13,969 |
| Vehicle | 11,500 | - | 11,500 |
| Total fixed assets | 25,469 | - | 25,469 |
| Accumulated depreciation | (10,029) | - | (10,029) |
| Net fixed assets | 15,440 | - | 15,440 |
| Long-term assets | | | |
| Security deposit | 855 | - | 855 |
| Land for sale | - | - | - |
| Investments | 2,847,271 | 749,781 | 3,597,052 |
| Total long-term assets | 2,848,126 | 749,781 | 3,597,907 |
| Total Assets | \$ 3,531,871 | \$ 749,781 | \$ 4,281,652 |

LIABILITIES AND NET ASSETS

| | Unrestricted | Temporarily Restricted | Total |
|-----------------------------------|---------------------|-----------------------------------|--------------|
| Current Liabilities | | | |
| Accounts payable | \$ 703,268 | \$ - | \$ 703,268 |
| Accrued wages | 24,316 | - | 24,316 |
| Total current liabilities | 727,584 | - | 727,584 |
| Total Liabilities | 727,584 | - | 727,584 |
| Net Assets | | | |
| Unrestricted net assets | 2,804,287 | - | 2,804,287 |
| Temporarily restricted net assets | - | 749,781 | 749,781 |
| Total Net Assets | 2,804,287 | 749,781 | 3,554,068 |
| Total Liabilities and Net Assets | \$ 3,531,871 | \$ 749,781 | \$ 4,281,652 |

MISSION: Pre-Born, Inc.

Statement of Financial Position September 30, 2017

ASSETS

| | Unrestricted | Temporarily Restricted | 2017 Total |
|---------------------------|---------------------|-----------------------------------|-----------------------|
| Current Assets | | | |
| Cash and cash equivalents | \$ 1,122,538 | \$ 386,970 | \$ 1,509,508 |
| Accounts receivable | - | - | - |
| 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 |
| Vehicle | - | - | - |
| Total fixed assets | 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

| | Unrestricted | Temporarily Restricted | Total |
|-----------------------------------|---------------------|-----------------------------------|--------------|
| 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, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2018 Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-----------------------|
| Revenue and Other Support | | | |
| Contributions | \$ 2,735,438 | \$ 1,451,270 | \$ 4,186,708 |
| Fundraising | 11,510 | 813,201 | 824,711 |
| Interest and dividends | 17,783 | - | 17,783 |
| Gain (loss) on investments | 12,189 | - | 12,189 |
| In-kind | - | 60,000 | 60,000 |
| Other revenue | - | - | - |
| Net assets released from restrictions | 1,961,660 | (1,961,660) | - |
| Total revenue and other support | <u>4,738,580</u> | <u>362,811</u> | <u>5,101,391</u> |
| Expenses | | | |
| Program services | | | |
| Consulting | 142,642 | - | 142,642 |
| Events | 163,916 | - | 163,916 |
| Sponsorships | 724,418 | - | 724,418 |
| Operation equipment | 1,873,172 | - | 1,873,172 |
| Total program services | 2,904,148 | - | 2,904,148 |
| Management and general | 342,915 | - | 342,915 |
| Fundraising | 133,965 | - | 133,965 |
| Total expenses | <u>3,381,028</u> | <u>-</u> | <u>3,381,028</u> |
| Increase In Net Assets | 1,357,552 | 362,811 | 1,720,363 |
| Net Assets, Beginning of Year | <u>1,446,735</u> | <u>386,970</u> | <u>1,833,705</u> |
| Net Assets, End of Year | <u>\$ 2,804,287</u> | <u>\$ 749,781</u> | <u>\$ 3,554,068</u> |

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>2017 Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-----------------------|
| Revenue and Other Support | | | |
| Contributions | \$ 1,398,948 | \$ 1,310,739 | \$ 2,709,687 |
| Fundraising | 53,743 | 519,580 | 573,323 |
| Interest and dividends | 4,964 | - | 4,964 |
| Gain (loss) on investments | - | - | - |
| In-kind | 32,950 | 27,500 | 60,450 |
| 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.

Statements of Functional Expenses For the Years Ended September 30, 2018 and 2017

| | <u>Consulting</u> | <u>Events</u> | <u>Sponsorship</u> |
|--------------------------------------|-------------------|-------------------|--------------------|
| Expenses | | | |
| Salaries and wages | \$ 50,106 | \$ 50,106 | \$ 238,828 |
| Payroll tax | 3,226 | 3,226 | 15,378 |
| Retirement and other benefits | 12,144 | 12,144 | 57,885 |
| Legal | - | - | - |
| Professional services | - | - | - |
| Other - artist expense | - | 48,923 | - |
| Advertising and promotion | 594 | 18,857 | 74,876 |
| Direct awards | - | - | 234,564 |
| Office | 37 | 37 | 173 |
| Information technology | 1,835 | 16,865 | 15,281 |
| Occupancy | - | - | - |
| Travel | 26,806 | 8,715 | 3,941 |
| Conference, conventions and meetings | 47,558 | 4,707 | 81,922 |
| Insurance | - | - | - |
| Depreciation | 336 | 336 | 1,570 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total expenses | <u>\$ 142,642</u> | <u>\$ 163,916</u> | <u>\$ 724,418</u> |

MISSION: Pre-Born, Inc.

| | <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 |
| Legal | - | - | - |
| 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 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total expenses | <u>\$ 109,298</u> | <u>\$ 191,570</u> | <u>\$ 975,351</u> |

MISSION: Pre-Born, Inc.

| Operation Equipment | Total Program Services | Management and General | Fundraising | 2018 Totals |
|--------------------------------|---------------------------------------|-----------------------------------|--------------------|------------------------|
| \$ 72,081 | \$ 411,121 | \$ 82,585 | \$ 81,842 | \$ 575,548 |
| 4,641 | 26,471 | 5,317 | 5,270 | 37,058 |
| 17,470 | 99,643 | 20,016 | 19,836 | 139,495 |
| - | - | 11,930 | - | 11,930 |
| - | - | 25,975 | - | 25,975 |
| 60,492 | 109,415 | 15,493 | 349 | 125,257 |
| 568,279 | 662,606 | - | - | 662,606 |
| 1,135,457 | 1,370,021 | - | 2,074 | 1,372,095 |
| - | 247 | 79,935 | 2,880 | 83,062 |
| - | 33,981 | 27,207 | - | 61,188 |
| - | - | 30,634 | - | 30,634 |
| 14,040 | 53,502 | 26,044 | 16,198 | 95,744 |
| 712 | 134,899 | 8,094 | 5,262 | 148,255 |
| - | - | 9,422 | - | 9,422 |
| - | 2,242 | 263 | 254 | 2,759 |
| \$ 1,873,172 | \$ 2,904,148 | \$ 342,915 | \$ 133,965 | \$ 3,381,028 |

MISSION: Pre-Born, Inc.

| Operation Equipment | Total Program Services | Management and General | Fundraising | 2017 Totals |
|--------------------------------|---------------------------------------|-----------------------------------|--------------------|------------------------|
| \$ 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 |
| \$ 791,711 | \$ 2,067,930 | \$ 190,218 | \$ 264,259 | \$ 2,522,407 |

MISSION: Pre-Born, Inc.

Statements of Cash Flows For the Years Ended September 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------|----------------------------|
| Cash Flow From Operating Activities | | |
| Change in net assets | \$ 1,720,363 | \$ 828,340 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities | | |
| Depreciation expense | 2,759 | 1,937 |
| (Gain) loss on investments | (12,189) | - |
| Decrease (increase) in accounts receivable | (26,534) | - |
| Disposal (donation) of land for sale | 30,000 | (30,000) |
| Decrease (increase) in prepaid expenses | (10,302) | (13,102) |
| Increase (decrease) in accounts payable | (172,863) | 538,915 |
| Increase (decrease) in accrued wages | 12,352 | 1,384 |
| Increase (decrease) in deferred revenue | - | (135,645) |
| Net Cash Provided By Operating Activities | <u>1,543,586</u> | <u>1,191,829</u> |
| Cash Flow From Investing Activities | | |
| Purchase of fixed assets | (14,206) | (1,000) |
| Purchase of investments | (3,248,439) | (506,191) |
| Sale of investments | 827,918 | - |
| Net Cash Used In Investing Activities | <u>(2,434,727)</u> | <u>(507,191)</u> |
| Increase (Decrease) in Cash and Cash Equivalents | (891,141) | 684,638 |
| Cash and Cash Equivalents, Beginning of Year | <u>1,509,508</u> | <u>824,870</u> |
| Cash and Cash Equivalents, End of Year | <u><u>\$ 618,367</u></u> | <u><u>\$ 1,509,508</u></u> |
| Noncash Transactions | | |
| Donation of land for sale | <u><u>\$ -</u></u> | <u><u>\$ 30,000</u></u> |

MISSION: Pre-Born, Inc.

Notes to Financial Statements For the Years Ended September 30, 2018 and 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.

MISSION: Pre-Born, Inc.

Note 2 – Significant Accounting Policies

Accounting Method

Pre-Born's financial statements were 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 November 5, 2018, which is the date the financial statements were available to be issued. This evaluation determined that there are no 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 was 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 years ended September 30, 2018 and 2017. Pre-Born's federal and state income tax returns for years ended 2015 through 2017 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.

Accounts Receivable

Accounts receivable represents duplicate payment to a center. Pre-Born's management believes the amount will be returned.

Fixed Assets

Pre-Born's fixed assets 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. During the year ended September 30, 2018, Pre-Born sold the land.

MISSION: Pre-Born, Inc.

Note 2 – Significant Accounting Policies (continued)

Net Assets

The financial statements were 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 years ended September 30, 2018 and 2017, in-kind contributions amounted to \$60,000 and \$60,450, respectively, 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 expensed advertising costs as they incurred. For the years ended September 30, 2018 and 2017, advertising expenses were \$662,605 and \$505,243, respectively.

Expense Allocation

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

MISSION: Pre-Born, Inc.

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, 2018 and 2017 consisted of money market accounts, certificate of deposits and stocks and mutual funds. Although these investments are considered short term, Pre-Born's management elected to classify these as long-term assets for future mission advancement.

Pre-Born's investments consisted of the following at September 30, 2018 and 2017.

| | September 30, 2018 | | |
|--------------------------|------------------------------------|---------------------|---------------------------|
| | Costs or Original Donated Value | Market Value | Unrealized Gain (loss) |
| Money Market Funds | \$ 1,076,602 | \$ 1,076,602 | \$ 0 |
| Certificates of Deposits | 2,519,708 | 2,519,449 | (259) |
| Stocks and Mutual Funds | 470 | 1,001 | 531 |
| | <u>\$ 3,596,780</u> | <u>\$ 3,597,052</u> | <u>\$ 272</u> |
| | September 30, 2017 | | |
| | Costs or Original Donated Value | Market Value | Unrealized Gain (loss) |
| Money Market Funds | \$ 406,215 | \$ 406,215 | \$ 0 |
| Certificates of Deposits | 758,127 | 758,127 | 0 |
| Stocks and Mutual Funds | 0 | 0 | 0 |
| | <u>\$ 1,164,342</u> | <u>\$ 1,164,342</u> | <u>\$ 0</u> |

Included in gains (losses) on investments on the statements of activities and changes net assets (deficits) were the following gains and losses for the years ended September 30, 2018 and 2017:

| | 2018 | 2017 |
|------------------------|------------------|-------------|
| Unrealized Gain (Loss) | \$ 272 | \$ 0 |
| Realized Gain (Loss) | 11,917 | 0 |
| | <u>\$ 12,189</u> | <u>\$ 0</u> |

MISSION: Pre-Born, Inc.

Note 4 – Operating Lease

Pre-Born has various operating type leases.

Office Lease

Pre-Born signed an 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 three year lease started on December 1, 2016 and expires November 30, 2019. Rent expense amounted to \$14,233 and \$14,735 for the years ended September 30, 2018 and 2017, respectively, and is included in occupancy expense on the statement of functional expenses.

Auto Lease

Pre-Born signed an operating lease for a 2018 Toyota Highlander. Upon signing the lease, a \$3,000 payment was required with a monthly lease payment of \$451.53. The three year lease started on April 28, 2018 and expires March 28, 2021. Auto lease expense amounted to \$5,709 and \$0 for the years ended September 30, 2018 and 2017, respectively, and is included in travel expense on the statement of functional expenses.

Future minimum lease payments on the lease having non-cancelable terms beyond September 30, 2018 are as follows:

| | |
|------|------------------|
| 2019 | \$ 21,018 |
| 2020 | 8,018 |
| 2021 | <u>2,258</u> |
| | <u>\$ 31,294</u> |

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 years ended September 30, 2018 and 2017, Pre-Born incurred matching contributions were \$108,967 and \$85,353 respectively.

Note 6 – Related Party Transaction

In the ordinary course of operations, Pre-Born has employees that are related to management. For the years ended September 30, 2018 and 2017, these employees were paid \$100,055 and \$68,483, respectively, in compensation. Pre-Born believes this is reasonable for the work performed during the normal course of business.

One Pre-Born employee serves as an employee of Avenues Crisis Pregnancy Clinic of Southern California's (CPCSC). The board of directors is aware of this relationship and monitors transactions between these entities. Amounts paid to CPCSC during the years ended September 30, 2018 and 2017 were \$115,344 and \$41,312, respectively.

MISSION: Pre-Born, Inc.

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, 2018 and 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, 2018 and 2017 there was an uninsured cash balance of \$873,604 and \$1,275,367, respectively.

MISSION: Pre-Born, Inc.

Schedule of Lead Accountant For the Years Ended September 30, 2018 and 2017

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