

Audited Financial Statements

MISSION: Pre-Born, Inc.

September 30, 2019 and 2018



LEMLERGROUP
certified public accountants

MISSION: Pre-Born, Inc.

Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2-3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-14
Schedule of Lead Auditor	15



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, 2019 and 2018, 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 position of Pre-Born as of September 30, 2019 and 2018, 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 19, 2019

MISSION: Pre-Born, Inc.

Statement of Financial Position September 30, 2019

ASSETS

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Current Assets			
Cash and cash equivalents	\$ 1,199,682	\$ -	\$ 1,199,682
Accounts receivable	-	-	-
Prepaid expenses	92,227	-	92,227
Total current assets	1,291,909	-	1,291,909
Fixed assets			
Office equipment	17,009	-	17,009
Vehicle	11,500	-	11,500
Total fixed assets	28,509	-	28,509
Accumulated depreciation	(13,501)	-	(13,501)
Net fixed assets	15,008	-	15,008
Long-term assets			
Security deposit	855	-	855
Investments	4,589,732	1,603,998	6,193,730
Total long-term assets	4,590,587	1,603,998	6,194,585
Total Assets	\$ 5,897,504	\$ 1,603,998	\$ 7,501,502

LIABILITIES AND NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
Current Liabilities			
Accounts payable	\$ 468,743	\$ -	\$ 468,743
Accrued wages	36,670	-	36,670
Total current liabilities	505,413	-	505,413
Total Liabilities	505,413	-	505,413
Net Assets			
Without donor restrictions	5,392,091	-	5,392,091
With donor restrictions	-	1,603,998	1,603,998
Total Net Assets	5,392,091	1,603,998	6,996,089
Total Liabilities and Net Assets	\$ 5,897,504	\$ 1,603,998	\$ 7,501,502

MISSION: Pre-Born, Inc.

Statement of Financial Position September 30, 2018

ASSETS

	Without Donor Restrictions	With Donor Restrictions	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
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

	Without Donor Restrictions	With Donor Restrictions	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			
Without donor restrictions	2,804,287	-	2,804,287
With donor restrictions	-	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 Activities and Changes in Net Assets For the Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Revenue and Other Support			
Contributions	\$ 4,607,680	\$ 1,973,669	\$ 6,581,349
Fundraising	8,850	1,022,323	1,031,173
Interest and dividends	53,419	-	53,419
Gain (loss) on investments	1,693	-	1,693
In-kind	-	215,388	215,388
Other revenue	720	-	720
Net assets released from restrictions	2,357,163	(2,357,163)	-
Total revenue and other support	<u>7,029,525</u>	<u>854,217</u>	<u>7,883,742</u>
Expenses			
Program services			
Consulting	174,972	-	174,972
Events	204,376	-	204,376
Sponsorships	972,266	-	972,266
Operation equipment	2,369,668	-	2,369,668
Total program services	<u>3,721,282</u>	<u>-</u>	<u>3,721,282</u>
Management and general	503,969	-	503,969
Fundraising	216,470	-	216,470
Total expenses	<u>4,441,721</u>	<u>-</u>	<u>4,441,721</u>
Increase In Net Assets	2,587,804	854,217	3,442,021
Net Assets, Beginning of Year	<u>2,804,287</u>	<u>749,781</u>	<u>3,554,068</u>
Net Assets, End of Year	<u>\$ 5,392,091</u>	<u>\$ 1,603,998</u>	<u>\$ 6,996,089</u>

MISSION: Pre-Born, Inc.

Statement of Activities and Changes in Net Assets For the Year Ended September 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</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	<u>2,904,148</u>	<u>-</u>	<u>2,904,148</u>
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.

Statements of Functional Expenses For the Years Ended September 30, 2019 and 2018

Expenses	Consulting	Events	Sponsorship
Salaries and wages	\$ 84,456	\$ 84,456	\$ 394,130
Payroll tax	5,461	5,461	25,485
Retirement and other benefits	11,775	11,775	54,952
Legal	-	-	-
Professional services	-	-	-
Other - artist expense	-	41,838	-
Advertising and promotion	53	849	52,910
Direct awards	-	-	159,416
Office	55	550	254
Information technology	24,883	32,448	41,132
Occupancy	-	-	-
Travel	41,435	4,698	8,103
Conference, conventions and meetings	6,431	21,878	233,909
Insurance	-	-	-
Depreciation	423	423	1,975
Total expenses	<u>\$ 174,972</u>	<u>\$ 204,376</u>	<u>\$ 972,266</u>

MISSION: Pre-Born, Inc.

	<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>336</u>	<u>336</u>	<u>1,570</u>
Total expenses	<u>\$ 142,642</u>	<u>\$ 163,916</u>	<u>\$ 724,418</u>

MISSION: Pre-Born, Inc.

Operation Equipment	Total Program Services	Management and General	Fundraising	2019 Totals
\$ 126,465	\$ 689,507	\$ 134,811	\$ 101,485	\$ 925,803
8,177	44,584	8,718	6,562	59,864
17,633	96,135	18,796	14,150	129,081
-	-	5,755	-	5,755
-	-	37,562	-	37,562
72,847	114,685	6,446	48,730	169,861
852,954	906,766	-	-	906,766
1,280,655	1,440,071	-	-	1,440,071
-	859	165,475	3,166	169,500
-	98,463	34,799	-	133,262
-	-	47,867	-	47,867
10,937	65,173	16,387	31,472	113,032
-	262,218	20,551	10,585	293,354
-	-	6,471	-	6,471
-	2,821	331	320	3,472
\$ 2,369,668	\$ 3,721,282	\$ 503,969	\$ 216,470	\$ 4,441,721

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
<u>\$ 1,873,172</u>	<u>\$ 2,904,148</u>	<u>\$ 342,915</u>	<u>\$ 133,965</u>	<u>\$ 3,381,028</u>

MISSION: Pre-Born, Inc.

Statements of Cash Flows For the Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flow From Operating Activities		
Change in net assets	\$ 3,442,021	\$ 1,720,363
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation expense	3,472	2,759
(Gain) loss on investments	(1,693)	(12,189)
Decrease (increase) in accounts receivable	26,534	(26,534)
Disposal (donation) of land for sale	-	30,000
Decrease (increase) in prepaid expenses	(68,823)	(10,302)
Increase (decrease) in accounts payable	(234,525)	(172,863)
Increase (decrease) in accrued wages	12,354	12,352
Net Cash Provided By Operating Activities	<u>3,179,340</u>	<u>1,543,586</u>
Cash Flow From Investing Activities		
Purchase of fixed assets	(3,040)	(14,206)
Purchase of investments	(2,701,614)	(3,248,439)
Sale of investments	106,629	827,918
Net Cash Used In Investing Activities	<u>(2,598,025)</u>	<u>(2,434,727)</u>
Increase (Decrease) in Cash and Cash Equivalents	581,315	(891,141)
Cash and Cash Equivalents, Beginning of Year	<u>618,367</u>	<u>1,509,508</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,199,682</u>	<u>\$ 618,367</u>

MISSION: Pre-Born, Inc.

Notes to Financial Statements For the Years Ended September 30, 2019 and 2018

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 19, 2019, 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.

Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations that follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two: net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by Pre-Born, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for Pre-Born's year ended September 30, 2019 and thereafter and must be applied on a retrospective basis. Pre-Born adopted the ASU effective October 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

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 approximates fair value due to the type of investments and the maturity dates.

Accounts Receivable

Accounts receivable represents a duplicate payment to a center which was returned subsequent to year end.

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 was sold, retired, or otherwise disposed of, the related cost and accumulated depreciation were eliminated from the accounts and any resulting gain or loss was credited or charged to income. Expenditures for maintenance and repairs were expensed when incurred.

Allocation of Functional Expenses

The costs of providing various programs and other activities were summarized on a functional basis in the statement of activities and changes in net assets and statement of functional expenses. Accordingly, personnel and staffing costs were allocated among the programs and supporting services that benefited from those costs based on estimates of time and effort spent on the related activities. Remaining other costs were actual costs recorded among the programs and supporting services that benefited.

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. This requires, 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 classified as either without or with donor restrictions. The following class of net assets and a brief description is as follows:

Net Assets Without Donor Restrictions – These amounts are not subject to usage restrictions based on donor-imposed requirements and include general assets and liabilities of Pre-Born. These amounts also include previously restricted assets where restrictions were met or expired. The net assets without donor restrictions may be used freely at the direction of management to support Pre-Born's purpose and operations.

Net Assets With Donor Restrictions – These amounts are subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by management's actions. Certain assets may be restricted in perpetuity. When a restriction expired, the amount was reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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, 2019 and 2018, in-kind contributions amounted to \$215,388 and \$60,000, 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 incurred. For the years ended September 30, 2019 and 2018, advertising expenses were \$906,766 and \$662,605, respectively.

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 12 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, 2019 and 2018. Pre-Born's federal and state income tax returns are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date.

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, 2019 and 2018 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 as of September 30, 2019 and 2018.

	September 30, 2019		
	Costs or Original Donated Value	Market Value	Unrealized Gain (loss)
Cash and Money Market Funds	\$ 2,170,228	\$ 2,170,228	\$ 0
Certificates of Deposits	4,021,809	4,023,502	1,693
Stocks and Mutual Funds	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 6,192,037</u>	<u>\$ 6,193,730</u>	<u>\$ 1,693</u>
	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	<u>470</u>	<u>1,001</u>	<u>531</u>
	<u>\$ 3,596,780</u>	<u>\$ 3,597,052</u>	<u>\$ 272</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, 2019 and 2018:

	2019	2018
Unrealized Gain (Loss)	\$ 1,693	\$ 272
Realized Gain (Loss)	<u>0</u>	<u>11,917</u>
	<u>\$ 1,693</u>	<u>\$ 12,189</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 \$19,180 and \$14,233 for the years ended September 30, 2019 and 2018, 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 \$5,418 and \$5,709 for the years ended September 30, 2019 and 2018, 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, 2019 are as follows:

2020	\$ 8,018
2021	<u>2,258</u>
	<u>\$ 10,276</u>

Note 5 – Retirement Plan

Pre-Born established a 401(k) plan for all employees. Employees over 21 years of age are eligible for the plan after one year of service. Employees are allowed to make contributions per the Internal Revenue Service guidelines. Those employees over 65 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, 2019 and 2018, Pre-Born's incurred matching contributions were \$100,257 and \$108,967 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, 2019 and 2018, these employees were paid \$122,207 and \$100,055, 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, 2019 and 2018 were \$69,071 and \$115,344, respectively.

MISSION: Pre-Born, Inc.

Note 7 – Accounting Service Agreement

Pre-Born entered into an accounting service agreement with Foster Results, an unrelated entity. The service agreement allowed a fee of \$1,115 per month for standard services rendered plus additional fees for other services. During the years ended September 30, 2019 and 2018, fees of \$30,832 and \$19,345, respectively, were earned and paid.

Note 8 – Liquidity

Pre-Born's liquidity management consists of the following quantitative and qualitative measurements:

Quantitative measurement - Pre-Born's resources available for general use within one year at September 30, 2019 and 2018 were:

	<u>2019</u>	<u>2018</u>
Financial assets	\$ 1,291,909	\$ 668,305
Not available within one year	(92,227)	(23,404)
Less current obligations	<u>(505,413)</u>	<u>(727,584)</u>
Financial assets available for general use within one year	<u>\$ 694,269</u>	<u>\$ (82,683)</u>

Qualitative measurement - Pre-Born receives a significant amount of its support through contributions and grants. Because these contributions and grants require resources to be used in a particular manner or in a future period, Pre-Born must maintain sufficient resources to meet those responsibilities to its donors and grantors. Thus, financial assets may not be available for general expenditure within one year. In the course of business, management structures Pre-Born's financial assets to be available as its general expenditures, liabilities, and other obligations come due, and endeavors to maintain cash balances equal to approximately six months of annual operating expenses. Should Pre-Born have operating shortfalls, investments are available.

Note 9 – 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, 2019 and 2018, 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, 2019 and 2018 there was an uninsured cash balance of \$1,108,282 and \$873,604 respectively.

MISSION: Pre-Born, Inc.

Schedule of Lead Accountant For the Years Ended September 30, 2019 and 2018

Auditor Information: Lemler Group, LLC
5625 N. Post Road, Suite 104
Indianapolis, Indiana 46216

Phone Number: (317) 449-0121

Fax Number: (317) 489-4917

Auditor Contact: David W. Lemler, CPA

Auditor Contact Title: Member

Auditor Contact Email: dlemler@lemlergroup.com