

HOPE CLINIC FOR WOMEN
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2010

HOPE CLINIC FOR WOMEN

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BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hope Clinic For Women
Nashville, Tennessee

We have audited the accompanying statement of financial position of Hope Clinic for Women as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope Clinic for Women as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Bellenfant & Miles, PLLC

April 28, 2011

HOPE CLINIC FOR WOMEN
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 148,505
Pledges Receivable	11,000
Related Party Pledges Receivable	<u>21,105</u>
Total Current Assets	<u>180,610</u>

Property and Equipment

Less: Accumulated Depreciation	1,083,887
	<u>(301,211)</u>
Property and Equipment - Net	<u>782,676</u>

Noncurrent Assets

Pledges Receivable, due after one year	6,432
Related Party Pledges Receivable, due after one year	23,981
Other Assets	<u>1,077</u>
Total Noncurrent Assets	<u>31,490</u>

Total Assets	<u><u>\$ 994,776</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts Payable	\$ 4,701
Current Portion of Notes Payable	<u>4,814</u>
Total Current Liabilities	9,515

Non-Current Portion of Notes Payable

	<u>470,355</u>
Total Liabilities	<u>479,870</u>

Net Assets

Unrestricted	475,797
Temporarily Restricted	<u>39,109</u>

Total Net Assets	<u>514,906</u>
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Total Liabilities and Net Assets	<u><u>\$ 994,776</u></u>
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The accompanying notes are an integral part of this statement

HOPE CLINIC FOR WOMEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Support and Revenue			
Support			
Contributions	\$ 341,456	\$ 93,163	\$ 434,619
Received Indirectly - Allocated by Local Churches	86,545	-	86,545
Donated Materials and Services In-Kind	157,633	-	157,633
Special Events, net of direct costs of \$41,892	190,280	-	190,280
Net Assets Released from Restrictions	97,844	(97,844)	-
Total Support	<u>873,758</u>	<u>(4,681)</u>	<u>869,077</u>
Revenue			
Interest Income	25	-	25
Other Income	17,765	-	17,765
Total Support and Revenue	<u>891,548</u>	<u>(4,681)</u>	<u>886,867</u>
Expenses			
Program Services			
Counseling and Support	<u>717,778</u>	<u>-</u>	<u>717,778</u>
Supporting Services			
Management and General	72,097	-	72,097
Fundraising	75,908	-	75,908
Total Support Services	<u>148,005</u>	<u>-</u>	<u>148,005</u>
Total Expenses	<u>865,783</u>	<u>-</u>	<u>865,783</u>
Change in Net Assets	25,765	(4,681)	21,084
Net Assets, January 1, 2010	<u>450,032</u>	<u>43,790</u>	<u>493,822</u>
Net Assets, December 31, 2010	<u><u>\$ 475,797</u></u>	<u><u>\$ 39,109</u></u>	<u><u>\$ 514,906</u></u>

The accompanying notes are an integral part of this statement

HOPE CLINIC FOR WOMEN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Services	Support Services		
	Counseling and Support	Management and General	Fundraising	Total
Salaries	\$ 337,080	\$ 39,418	\$ 46,543	\$ 423,041
Employee Benefits	27,335	3,383	3,451	34,169
Payroll Taxes	25,305	3,131	3,195	31,631
 Total Salaries and Benefits	 389,720	 45,932	 53,189	 488,841
 Professional Fees	 -	 10,296	 -	 10,296
Continuing Education	911	243	61	1,215
Postage and Shipping	1,655	441	110	2,206
Direct Mail and Newsletter	-	-	2,768	2,768
Office Supplies	1,926	514	128	2,568
Telephone	7,061	1,883	470	9,414
Utilities	8,884	2,369	592	11,845
Janitorial Services	2,948	-	-	2,948
Equipment Lease	3,053	814	204	4,071
Repairs and Maintenance	5,245	1,399	349	6,993
Insurance	7,028	1,874	469	9,371
Client Materials	245	-	-	245
Bank Charges	-	514	-	514
Donated Materials and Services-In-Kind	157,633	-	-	157,633
Licenses and Dues	563	150	37	750
Travel and Conferences	786	210	52	1,048
Advertising and Public Relations	23,766	-	-	23,766
Gifts / Appreciation	203	54	13	270
Board Expenses	-	289	-	289
Miscellaneous	858	229	57	1,144
Systems Development	12,078	-	-	12,078
Community Relations	-	-	16,188	16,188
Security	741	-	-	741
Medical	6,057	-	-	6,057
Prevention	45	-	-	45
Pregnancy Services	7,286	-	-	7,286
Interest	37,776	-	-	37,776
Maternity Home	22,132	-	-	22,132
Church Outreach	855	-	-	855
 Total Other Expenses	 309,735	 21,279	 21,498	 352,512
 Total Expenses Before Depreciation	 699,455	 67,211	 74,687	 841,353
 Depreciation	 18,323	 4,886	 1,221	 24,430
 Total Functional Expenses	 <u>\$ 717,778</u>	 <u>\$ 72,097</u>	 <u>\$ 75,908</u>	 <u>\$ 865,783</u>

The accompanying notes are an integral part of this statement

HOPE CLINIC FOR WOMEN
STATEMENT OF CASH FLOWS
DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 21,084
Depreciation	24,430
Adjustments to reconcile net income to net cash used by operations:	
(Increase) Decrease in:	
Pledges Receivable	3,720
Related Party Pledges Receivable	(18,404)
Other Assets	(309)
Increase (Decrease) in:	
Accounts Payable	(1,608)
Deferred Support	(750)
Net Cash Provided by Operating Activities	<u>28,163</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(11,084)</u>
Net cash Used by Investing Activities	<u>(11,084)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Notes Payable	(71,200)
New Borrowings	<u>76,548</u>
Net Cash Provided by Financing Activities	<u>5,348</u>
Net Increase in Cash	22,427
Cash, January 1, 2010	<u>126,078</u>
Cash, December 31, 2010	<u><u>\$ 148,505</u></u>

SUPPLEMENTAL DISCLOSURES

Interest Paid	<u><u>\$ 37,776</u></u>
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The accompanying notes are an integral part of this statement

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Hope Clinic for Women, founded in March 1983, is a safe and confidential place for women dealing with life choices regarding past, present and future pregnancies; providing education, professional counseling, medical care and practical support regardless of age, race or religion. Hope Clinic equips individuals in the Middle Tennessee area to make healthy choices for themselves and their families related to our three core programs: Pregnancy Services, Prevention Services, and Counseling Services.

Pregnancy Services- This service provides options information, professional counseling, pregnancy tests, and limited ultrasounds. In addition, participants of the Pregnancy BRIDGE Client Treatment plan receive a mentor, practical support, educational classes, and ongoing professional counseling in exchange for material assistance. With both male and female counselors, we provide counseling to all people involved (woman, father of the baby and parents). Another component of the pregnancy services is *Wendy's Place our Home for Moms and Babies*, opened October 2008. Clients receive free housing, counseling, and case management throughout the duration of their pregnancy and following delivery for six to nine months, regardless of whether they choose to parent or place for adoption.

Prevention Services- This program is for private/public middle and high school students, young adults, churches and parents covering accurate information on STDs, abstinence education and the tools necessary to make healthy life choices. Since 2001, Hope Clinic has offered STD testing and treatment. Our Nurse Practitioner answers clients' questions, listens to their concerns, and educates them on women's health, pregnancy, and STDs. Often she successfully transitions medical clients needing additional care to our professional counselors for individual counseling.

Counseling Services- The service originally began as post abortion counseling, but in the past year it has expanded to include all forms of Pregnancy Loss (miscarriage and stillbirth). It includes a combination of clinical, practical and spiritual components. In 2009, we also added postpartum depression counseling (in partnership with St. Thomas Health Services).

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Restricted and Unrestricted Net Assets:

Hope Clinic for Women has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification. The Codification establishes standards for general-purpose external financial statements provided by not-for-profit organizations. In addition, it requires that the amounts of three classes of assets - permanently restricted, temporarily restricted, and unrestricted - be displayed in a statement of financial position, and that the amounts of change in each of these classes of net assets be displayed in a statement of activities.

The FASB Accounting Standards Codification requires the Organization to report 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 purposed 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. Temporarily restricted funds received and released from restrictions in the same period are reported as unrestricted support.

At December 31, 2010 and for the year then ended there were no permanent restrictions on assets.

Donor and pledge contributions are recognized as support upon receipt from donor.

Advertising:

The Organization expenses advertising costs as incurred. Advertising costs for 2010 were \$23,766.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis and include the assets, liabilities, and financial activities of the Organization.

Depreciation:

Acquisitions of property are recorded at original cost and are depreciated on the straight-line basis over their respective estimated useful lives.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes:

Hope Clinic for Women is exempt from Federal Income Taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made

The Organization has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Organization believes that it has taken no uncertain tax positions.

Cash:

The Organization considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Donated Assets and Services:

Noncash donations are recorded as contributions at their estimated fair values at the date of donation. A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and fundraising campaigns. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills. These services would typically need to be purchased if not provided by donation, and are recorded at their fair values in the period received.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

Concentration of Credit Risk:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash on deposit and pledges receivable from individuals. Cash deposits are primarily in financial institutions in Tennessee and, at times, may exceed federally insured amounts. Concentrations of credit risk with respect to pledges receivable are limited to individuals and donors in the greater Nashville area. Management does not believe that significant credit risk exists at December 31, 2010.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Pledges Receivable:

Accounts and pledges to be received within the next 12 months or with restrictions that have been met at year-end are classified as current assets. Pledges designated by the donor to be received more than 12 months after year-end have been classified as noncurrent assets. The Organization does not require collateral or other security to support the receivables nor does it accrue interest on any of its receivables. Management has evaluated all outstanding pledges at December 31, 2010 and determined that no additional allowance is considered necessary.

2. PLEDGES RECEIVABLE

During the year, the Organization conducted a pledge drive and accepted donor pledges and promises to give with all funds being unrestricted. The pledges and promises to give are recorded as revenue at their net realizable value at the time received. The pledges have been discounted in the amount of \$273 using the Organization's anticipated risk free rate of return of 4.25%. Pledges due in the next fiscal year are reflected as current, whereas, pledges due in subsequent years are reflected as long-term. The majority of the pledges were received from individual donors. Collection of pledges receivable as of December 31, 2010 is anticipated over the following maturity schedule:

2011	\$ 11,000
2012	3,940
2013	2,165
2014	600
	<hr/> 17,705
Less discount to net present value	(273)
Net present value of receivables	<hr/> <u>\$ 17,432</u>

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

3. RELATED PARTY PLEDGES RECEIVABLE

Related party pledges receivable consisted of all pledges received from employees and board members at December 31, 2010. The pledges have been discounted in the amount of \$1,019 using the Organization's anticipated risk free rate of return of 4.25%. Related party pledges receivable due in the next fiscal year are reflected as current, whereas, pledges due in subsequent years are reflected as long-term. Collection of related party pledges receivable as of December 31, 2010 is anticipated over the following maturity schedule:

2011	\$ 21,105
2012	20,000
2013	5,000
	<u>46,105</u>
Less discount to net present value	(1,019)
Net present value of receivables	<u>\$ 45,086</u>

4. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2010 is as follows:

Land	\$ 222,000
Building and Improvements	708,193
Medical Equipment	39,650
Office Equipment	14,799
Furniture and Fixtures	17,128
Medical Leasehold Improvements	18,041
Computers and Software	64,076
	<u>1,083,887</u>
Less: Accumulated Depreciation and Amortization	(301,211)
Property and Equipment - Net	<u>\$ 782,676</u>

5. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted

Purpose restrictions accomplished:	
Abstinence Program	\$ 4,000
Medical Clinic Fund	42,500
Pregnancy Fund	5,836
Maternity Home Fund	29,896
Maternity Staff Fund	15,612
	<u>\$ 97,844</u>

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2010:

Medical Clinic Fund	\$ 34,882
Maternity Home Fund	4,227
	<u>\$ 39,109</u>

7. NOTES PAYABLE

Note payable to Southeast Financial Federal Credit Union, dated August 1, 2007, collateralized with residential real property, payable \$1,904 due monthly including interest calculated at 9 25% \$ 225,901

Note payable to Southeast Financial Federal Credit Union, dated March 27, 2008, payable interest only for one year Beginning April 27, 2010, the loan is payable at \$1,694 including principle and interest calculated at 7% until March 27, 2025 All remaining principle is due on March 27, 2025 The note is secured by commercial real property 249,268

Total Notes Payable 475,169

Less Current Portion 4,814

Non-Current Portion of Notes Payable \$ 470,355

As of December 31, 2010, long term debt matures as follows:

2011	\$ 4,814
2012	5,211
2013	5,643
2014	6,110
2015	6,617
2016 and thereafter	<u>446,774</u>
	<u>\$ 475,169</u>

These loans were modified in April 2011 Please refer to the subsequent events note for details

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

8. RETIREMENT PLAN

The Organization sponsors a SIMPLE IRA retirement plan allowing contributions by employees. The Organization suspended its contributions in June of 2009.

9. OPERATING LEASES

The Organization has non-cancelable operating leases for office equipment. Future minimum lease payments are as follows:

Year	Office Equipment
2011	\$ 3,588
2012	3,588
2013	2,392
	<u>\$ 9,568</u>

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 28, 2011 which is the date the financial statements were available to be issued. The following events had occurred from January 1 to April 28, 2011:

The Commercial loan dated March 27, 2008 was refinanced on April 7, 2011 with Southeast Financial Federal Credit Union for the outstanding balance of \$197,000. The new loan will mature March 27, 2025. Monthly payments of \$1,311 are required which include principle and interest calculated at 7%.

A loan agreement for \$150,000 dated April 7, 2011 was executed. The interest is 7% and matures on April 7, 2012. The loan is a revolving line of credit to be used for general operating cash flow purposes with only the payment of interest required.



BELLENFANT + MILES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Communication of Significant Deficiencies

To Board of Directors
Hope Clinic for Women
Nashville, Tennessee

In planning and performing our audit of the financial statements of Hope Clinic for Women as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered Hope Clinic for Women's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Hope Clinic for Women's internal control to be significant deficiencies:

Check Signatures

Currently, only one signature is required on checks written for expenses and other disbursements. As the Organization has grown, we feel that dual signatures on all checks should be considered. The procedure of dual signatures will strengthen internal control over cash disbursements and expenses. The individuals signing checks should be external to the daily financial operations of the Organization. We also suggest that the individuals signing checks should be given the documentation supporting each check at the time of signing.

Personal Use of Credit Cards

During our audit, we noted several instances where apparent personal purchases were made on the Organization's credit card. It appears that the purchases were repaid to the Organization. We recommend that all staff be discouraged from using the Organization's credit cards for personal use. This practice unnecessarily increases the accounting burden on Organization staff and increases the possibility that unauthorized expenses are incurred.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Bellenfant & Miles, PLLC

April 28, 2011



BELLENFANT + MILES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Communication with Those Charged with Governance

To the Board of Directors
Hope Clinic for Women

We have audited the financial statements of Hope Clinic for Women for the year ended December 31, 2010, and have issued our report thereon dated April 28, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 24, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hope Clinic for Women are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management.

Increased Computer Software	\$ 11,084
Increased Accumulated Depreciation	24,429
Increased Related Party Pledges Receivable	18,404
Decreased Pledges Receivable	3,721

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 28, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

This information is intended solely for the use of Board of Directors and management of Hope Clinic for Women and is not intended to be and should not be used by anyone other than these specified parties.

Bellenfant & Miles, PLLC

April 28, 2011