

**HOPE CLINIC FOR WOMEN**

**FINANCIAL STATEMENTS**

December 31, 2004

HOPE CLINIC FOR WOMEN  
Nashville, Tennessee

FINANCIAL STATEMENTS  
December 31, 2004

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Crowe Chizek and Company LLC  
Member Horwath International

## REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Hope Clinic for Women  
Nashville, Tennessee

We have audited the accompanying statement of financial position of Hope Clinic for Women as of December 31, 2004, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Clinic'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 accounting principles used and significant estimates made by management, as well as evaluating 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, 2004, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Crowe Chizek and Company LLC*

Crowe Chizek and Company LLC

Brentwood, Tennessee  
May 12, 2005

HOPE CLINIC FOR WOMEN  
STATEMENT OF FINANCIAL POSITION  
December 31, 2004

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**ASSETS**

Current assets

Cash and cash equivalents	\$ 146,019
Grant income receivable (Note 2)	13,073
Pledges receivable (Note 2)	73,347
Related parties pledges receivable (Note 3)	16,500
Prepaid expenses and other current assets	<u>3,118</u>
Total current assets	252,057

Property and equipment, net (Note 4) 413,563

Pledges receivable, due after one year 38,116

Related party pledges receivable,  
due after one year (Note 3) 15,157

Other assets 198

\$ 719,091

**LIABILITIES AND NET ASSETS**

Current liabilities

Accounts payable	\$ 7,073
Accrued expenses	<u>471</u>
Total current liabilities	7,544

Net assets

Unrestricted	616,423
Temporarily restricted (Note 6)	<u>95,124</u>
Total net assets	<u>711,547</u>

\$ 719,091

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See accompanying notes to financial statements.

HOPE CLINIC FOR WOMEN  
STATEMENT OF ACTIVITIES  
Year ended December 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
<b>Support</b>			
Received directly - contributions	\$ 129,165	\$ 20,200	\$ 149,365
State abstinence grant	-	47,396	47,396
Received indirectly - allocated by			
Nashville area churches	56,720	-	56,720
Donated materials and services-in-kind	62,178	-	62,178
Special events, net of direct costs of \$44,912	293,445	-	293,445
Net assets released from restrictions (Note 5)	<u>67,823</u>	<u>(67,823)</u>	<u>-</u>
Total support	609,331	(227)	609,104
<b>Revenue</b>			
Interest income	260	623	883
Other income	<u>1,506</u>	<u>-</u>	<u>1,506</u>
Total support and revenue	<u>611,097</u>	<u>396</u>	<u>611,493</u>
<b>Expenses</b>			
<b>Program services</b>			
Counseling and support	<u>488,155</u>	<u>-</u>	<u>488,155</u>
<b>Supporting services</b>			
Management and general	84,688	-	84,688
Fundraising	<u>55,426</u>	<u>-</u>	<u>55,426</u>
Total support services	<u>140,114</u>	<u>-</u>	<u>140,114</u>
Total expenses	<u>628,269</u>	<u>-</u>	<u>628,269</u>
Change in net assets	(17,172)	396	(16,776)
Net assets at beginning of year	<u>633,595</u>	<u>94,728</u>	<u>728,323</u>
Net assets at end of year	<u>\$ 616,423</u>	<u>\$ 95,124</u>	<u>\$ 711,547</u>

See accompanying notes to financial statements.

HOPE CLINIC FOR WOMEN  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended December 31, 2004

	Program Services	Support Services		Total
	Counseling and Support	Management and General	Fundraising	
Salaries	\$ 158,701	\$ 49,742	\$ 28,424	\$ 236,867
Employee benefits	13,146	5,026	1,160	19,332
Payroll taxes	<u>12,119</u>	<u>3,798</u>	<u>2,171</u>	<u>18,088</u>
Total salaries and benefits	183,966	58,566	31,755	274,287
Professional fees	-	6,911	-	6,911
Office expense	5,036	1,343	336	6,715
Direct mail and newsletter	-	-	7,508	7,508
Supplies	2,072	552	138	2,762
Telephone	5,034	1,342	336	6,712
Utilities	6,419	1,712	428	8,559
Ministry	-	-	-	-
Janitorial services	3,710	-	-	3,710
Equipment purchases	1,113	384	422	1,919
Repairs and maintenance	4,816	1,284	321	6,421
Insurance	8,319	4,489	396	13,204
Client services	10,302	-	-	10,302
Volunteer services	2,921	-	-	2,921
Donated materials and services- in-kind expense	62,178	-	-	62,178
Miscellaneous fundraising	-	-	1,602	1,602
Books and subscriptions	191	51	13	255
Licenses and dues	764	204	51	1,019
Travel and conferences	1,664	444	111	2,219
Advertising and public relations	42,517	-	-	42,517
Gifts/appreciation	350	93	23	466
Board expenses	-	1,143	-	1,143
Contract labor	769	1,281	10,764	12,814
Miscellaneous	2,061	550	137	2,748
Systems development	2,626	-	-	2,626
Security	2,795	-	-	2,795
Medical	65,146	-	-	65,146
Abstinence	<u>57,113</u>	<u>-</u>	<u>-</u>	<u>57,113</u>
Total other expenses	287,916	21,783	22,586	332,285
Total expenses before depreciation	471,882	80,349	54,341	606,572
Depreciation	<u>16,273</u>	<u>4,339</u>	<u>1,085</u>	<u>21,697</u>
Total functional expenses	<u>\$ 488,155</u>	<u>\$ 84,688</u>	<u>\$ 55,426</u>	<u>\$ 628,269</u>

See accompanying notes to financial statements.

HOPE CLINIC FOR WOMEN  
STATEMENT OF CASH FLOWS  
Year ended December 31, 2004

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<b>Cash flows from operating activities</b>	
Change in net assets	\$ (16,776)
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation expense	21,697
Increase in grant income receivable	(298)
Increase in pledges receivable	(13,012)
Increase in related party pledges receivable	(31,657)
Decrease in prepaid expenses	2,847
Increase in other assets	(55)
Increase in accounts payable	3,033
Decrease in accrued expenses	<u>(717)</u>
Net cash from operating activities	(34,938)
<b>Cash flows from investing activities</b>	
Purchase of property and equipment	<u>(5,869)</u>
Net cash from investing activities	<u>(5,869)</u>
Net change in cash and cash equivalents	(40,807)
Cash and cash equivalents at beginning of year	<u>186,826</u>
Cash and cash equivalents at end of year	<u>\$ 146,019</u>

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See accompanying notes to financial statements.

HOPE CLINIC FOR WOMEN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

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**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization: Hope Clinic for Women (the "Clinic") is a nonprofit organization that provides free pregnancy tests, confidential counseling, referrals, support groups and occasional material and financial assistance to women in unplanned pregnancies. The Clinic also provides counseling and support to women dealing with emotional pain from past abortions, abstinence education, and medical services to clients including STD testing and limited obstetrical ultrasounds.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis and include the assets, liabilities and financial activities of the Clinic.

Classification of Restricted and Unrestricted Net Assets: The Clinic has adopted Statement of Financial Accounting Standards No. 117 (SFAS 117), Financial Statements of Not-For-Profit Organizations. SFAS 117 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.

SFAS 117 requires the Clinic 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 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. Temporarily restricted funds received and released from restrictions in the same period are reported as unrestricted support.

At December 31, 2004, 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 Clinic expenses advertising costs as incurred. Advertising costs for year amounted to \$42,517.

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 certain 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, other support, and expenses during the reporting period. Actual results could vary from the estimates that were used.

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(Continued)



HOPE CLINIC FOR WOMEN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

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**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Clinic considers all highly liquid debt investments with original maturities of three months or less to be cash equivalents.

Property and Equipment: Property and equipment are recorded at cost or, if contributed, at fair market value at date of gift. Depreciation and amortization is calculated by the straight-line method. The estimated useful lives of property and equipment are as follows:

Building and leasehold improvements	39 years
Furniture, fixtures and office equipment	5 - 7 years
Medical equipment	5 - 7 years
Software	3 years

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

Donated Materials and Services: Donated materials or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at date of receipt. A substantial number of volunteers have donated significant amounts of their time to the Clinic'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.

Concentration of Credit Risk: Financial instruments that potentially subject the Clinic to concentrations of credit risk consist principally of cash on deposit, pledges receivable from individuals, and a grant receivable from the State of Tennessee. The Clinic's 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 and the grant receivable are limited to individuals and donors in the greater Nashville area and the State of Tennessee, respectively. Management does not believe that significant credit risk exists at December 31, 2004.

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 Clinic does not require collateral or other security to support the receivables or does not accrue interest on any of its receivables. Management has evaluated all outstanding pledges at December 31, 2004, and determined that no additional allowance is considered necessary.

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HOPE CLINIC FOR WOMEN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

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**NOTE 2 - GRANT AND PLEDGES RECEIVABLES**

The grant receivable of \$13,073 represents the amount due at December 31, 2004, from the State of Tennessee under an abstinence program. The grant period is from July 1, 2004 through June 30, 2005. These funds are restricted and are used to pay for the salary and direct expenses of the director of preventative services.

During the year, the Clinic 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 \$3,884 using the Clinic'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. Management has evaluated all outstanding pledges at December 31, 2004, and determined that no allowance is considered necessary. Collection of pledges receivable as of December 31, 2004, is anticipated over the following maturity schedule:

<u>December 31,</u>	<u>Amount</u>
2005	\$ 73,347
2006	32,000
2007	<u>10,000</u>
	115,347
Less discount to net present value	<u>(3,884)</u>
Net present value of receivables	<u>\$ 111,463</u>

**NOTE 3 - RELATED PARTIES PLEDGES RECEIVABLE**

Related parties pledges receivable consisted of all pledges received from employees and board members at December 31, 2004. The pledges have been discounted in the amount of \$1,399 using the Clinic's anticipated risk free rate of return of 4.25%. Related parties pledges receivable due in the next fiscal year are reflected as current, whereas, pledges due in subsequent years are reflected as long-term. Management has determined that no allowance is deemed necessary. Collection of related parties pledges receivable as of December 31, 2004, is anticipated over the following maturity schedule:

<u>December 31,</u>	<u>Amount</u>
2005	\$ 16,500
2006	16,000
2007	<u>556</u>
	33,056
Less discount to net present value	<u>(1,399)</u>
Net present value of receivables	<u>\$ 31,657</u>

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HOPE CLINIC FOR WOMEN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

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**NOTE 4 - PROPERTY AND EQUIPMENT**

A summary of property and equipment at December 31, 2004, is as follows:

Land	\$ 81,000
Building and improvements	391,480
Medical equipment	24,000
Office equipment	96,924
Furniture and fixtures	33,081
Medical leasehold improvements	18,041
Software	<u>30,377</u>
	674,903
Less: accumulated depreciation and amortization	<u>(261,340)</u>
	<u>\$ 413,563</u>

Total depreciation and amortization expense for the year ended December 31, 2004, amounted to \$21,697.

**NOTE 5 - NET ASSETS RELEASED FROM RESTRICTION**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year ended December 31, 2004 as follows:

Purpose restrictions accomplished:	
Abstinence program	\$ 35,025
Medical fund	31,726
Client fund	<u>1,072</u>
	<u>\$ 67,823</u>

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at December 31, 2004:

Abstinence program	\$ 16,284
Client fund	4,262
Capital campaign	61,128
Medical clinic	10,030
Web fund	<u>3,420</u>
	<u>\$ 95,124</u>

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(Continued)

HOPE CLINIC FOR WOMEN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2004

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**NOTE 7 - RETIREMENT PLAN**

The Clinic sponsors a SIMPLE IRA retirement plan covering all employees who have received or are reasonably expected to receive \$5,000 in compensation for the year. The Clinic matches employee contributions up to 3% of gross salary. The Clinic contributed \$2,682 to the Plan during 2004.