

HOPE CLINIC FOR WOMEN
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2012

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 statements of Hope Clinic for Women, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 the entity'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 Hope Clinic for Women as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bellenfant & Miles, PLLC

May 1, 2013

HOPE CLINIC FOR WOMEN
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 120,176
Pledges Receivable	5,250
Related Party Pledges Receivable	3,950
	129,376
Total Current Assets	129,376

Property and Equipment

Less: Accumulated Depreciation	631,099
	(312,425)
Property and Equipment - Net	318,674

Noncurrent Assets

Other Assets	1,035
	1,035
Total Noncurrent Assets	1,035

Total Assets	\$ 449,085
	449,085

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 1,988
Current Portion of Note Payable	2,066
	4,054
Total Current Liabilities	4,054

Noncurrent Liabilities

Noncurrent Portion of Note Payable	191,353
Noncurrent Portion of Line of Credit	89,321
	280,674
Total Non-Current Liabilities	280,674

Total Liabilities	284,728
	284,728

Net Assets

Unrestricted	146,392
Temporarily Restricted	17,965
	164,357
Total Net Assets	164,357

Total Liabilities and Net Assets	\$ 449,085
	449,085

The accompanying notes are an integral part of this statement.

HOPE CLINIC FOR WOMEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Support			
Contributions	\$ 355,009	\$ 17,965	\$ 372,974
Received Indirectly - Allocated by Local Churches	90,487	-	90,487
Donated Supplies and Services In-Kind	344,227	-	344,227
Special Events, net of direct costs of \$41,326	184,922	-	184,922
Net Assets Released from Restrictions	3,772	(3,772)	-
Total Support	<u>978,417</u>	<u>14,193</u>	<u>992,610</u>
Revenue			
Interest Income	11	-	11
Counseling Income	6,415	-	6,415
Medical Income	8,806	-	8,806
Other Income	1,410	-	1,410
	<u> </u>	<u> </u>	<u> </u>
Total Support and Revenue	<u>995,059</u>	<u>14,193</u>	<u>1,009,252</u>
Expenses			
Program Services			
Counseling and Support	802,801	-	802,801
	<u> </u>	<u> </u>	<u> </u>
Supporting Services			
Management and General	65,715	-	65,715
Fundraising	157,979	-	157,979
Total Support Services	<u>223,694</u>	<u> </u>	<u>223,694</u>
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>1,026,495</u>	<u> </u>	<u>1,026,495</u>
Change in Net Assets	(31,436)	14,193	(17,243)
Net Assets, January 1, 2012	<u>177,828</u>	<u>3,772</u>	<u>181,600</u>
Net Assets, December 31, 2012	<u><u>\$ 146,392</u></u>	<u><u>\$ 17,965</u></u>	<u><u>\$ 164,357</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, 2012

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Counseling and Support</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 311,935	\$ 30,193	\$ 72,248	\$ 414,376
Employee Benefits	37,322	3,633	8,808	49,763
Payroll Taxes	23,379	2,276	5,517	31,172
 Total Salaries and Benefits	 372,636	 36,102	 86,573	 495,311
Professional Fees	-	10,528	-	10,528
Contract Labor	995	-	-	995
Continuing Education	1,295	345	87	1,727
Postage and Shipping	1,362	363	91	1,816
Direct Mail and Newsletter	-	-	1,287	1,287
Office Supplies	4,700	1,253	314	6,267
Telephone	6,185	1,649	412	8,246
Utilities	8,269	2,205	551	11,025
Janitorial Services	2,760	-	-	2,760
Equipment Lease	1,961	523	131	2,615
Repairs and Maintenance	4,660	1,243	310	6,213
Insurance	8,552	2,281	570	11,403
Client Materials	129	-	-	129
Bank Charges	-	1,058	-	1,058
Donated Lab Services In-Kind	151,457	-	-	151,457
Donated Volunteer Services In-Kind	62,827	-	-	62,827
Licenses and Dues	413	110	27	550
Travel and Conferences	354	94	24	472
Advertising and Public Relations	20,720	-	-	20,720
Gifts / Appreciation	698	186	47	931
Board Expenses	-	178	-	178
Miscellaneous	3,819	1,017	255	5,091
Systems Development	9,734	2,596	649	12,979
Donor Relations	-	-	6,967	6,967
Security	779	-	-	779
Staff Retreat	7,520	-	-	7,520
Medical	9,644	-	-	9,644
Prevention	187	-	-	187
Pregnancy Services	5,343	-	-	5,343
Donated Pregnancy Supplies In-Kind	71,255	-	-	71,255
Donated Fundraising Expenses In-Kind	-	-	58,688	58,688
Interest	21,492	-	-	21,492
Maternity Home	1,470	-	-	1,470
Church Outreach	6,644	-	-	6,644
 Total Other Expenses	 415,224	 25,629	 70,410	 511,263
 Total Expenses Before Depreciation	 787,860	 61,731	 156,983	 1,006,574
Depreciation	14,941	3,984	996	19,921
 Total Functional Expenses	 \$ 802,801	 \$ 65,715	 \$ 157,979	 \$ 1,026,495

The accompanying notes are an integral part of this statement.

HOPE CLINIC FOR WOMEN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (17,243)
Depreciation	19,921
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:	
(Increase) Decrease in:	
Pledges Receivable	4,123
Related Party Pledges Receivable	18,328
Increase (Decrease) in:	
Accounts Payable	1,895
Net Cash Provided by Operating Activities	27,024

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Notes Payable	(109,374)
New Borrowings	82,500
Net Cash Used by Financing Activities	(26,874)
Net Increase in Cash	150
Cash, January 1, 2012	120,026
Cash, December 31, 2012	\$ 120,176

SUPPLEMENTAL DISCLOSURE

Interest Paid	\$ 21,492
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The accompanying notes are an integral part of this statement.

HOPE CLINIC FOR WOMEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Hope Clinic for Women, founded in 1983, is a safe and confidential place for women dealing with life choices regarding past, present and future pregnancies. The Organization also provides 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).

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 2009 it has expanded to include all forms of Pregnancy Loss (miscarriage, stillbirth, and infant death). 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). The nurse practitioner on staff is also able to prescribe medications for anxiety and depression related to pregnancy loss and postpartum depression.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Restricted and Unrestricted Net Assets:

Hope Clinic ("the Organization") 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 net 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.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization had temporarily restricted net assets of \$17,965 as of December 31, 2012.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets as of December 31, 2012.

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, either 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.

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

Advertising:

The Organization expenses advertising costs as incurred. Advertising costs for 2012 were \$20,720. All advertising expenses are related to client services.

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.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation:

Property and equipment with an acquisition cost above \$1,000 are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of each asset as follows:

Buildings and Building Improvements	39 years
Furniture and Equipment	5-7 years
Computers	3 years

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.

The Organization files a U.S. Federal Form 990-*Return of Organization Exempt from Income Tax*. The Organization's returns for the years prior to calendar year 2009 are no longer open for examination.

Cash:

For the purposes of the cash flows statement, 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 management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2012.

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, 2012 and determined that no additional allowance is considered necessary.

Fair Values of Financial Instruments:

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, pledges receivable, related party pledges receivable, other assets, and accounts payable: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

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. Pledges due in the next fiscal year are reflected as current, whereas pledges due in subsequent years are reflected as long-term. However as of December 31, 2012 there were no long-term pledges receivable. The majority of the pledges were received from individual donors. Collection of pledges receivable as of December 31, 2012 is anticipated over the following maturity schedule:

2013

\$ 5,250

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

3. RELATED PARTY PLEDGES RECEIVABLE

Related party pledges receivable consisted of all pledges received from employees and board members at December 31, 2012. 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. However as of December 31, 2012 there were no long-term related party pledges receivable. Collection of related party pledges receivable as of December 31, 2012 is anticipated over the following maturity schedule:

2013	<u>\$ 3,950</u>
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4. 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, 2012 as follows:

Purpose restrictions accomplished:	
Prevention Fund	<u>\$ 3,772</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2012:

Medical Program	\$ 4,000
Pregnancy Fund	400
Prevention Fund	6,419
Counseling Fund	7,146
	<u>\$ 17,965</u>

6. RETIREMENT PLAN

The Organization sponsors a 401k retirement plan allowing contributions by employees. The Organization suspended its contributions in June of 2009.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

7. NOTES PAYABLE

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%.

\$ 193,419

A loan agreement for \$150,000 dated April 7, 2012 was executed. The interest is 7% and matures on March 7, 2013. The loan is a revolving line of credit to be used for general operating cash flow purposes with only the payment of interest required.

89,321 *

Total Notes Payable

282,740

Less Current Portion

91,387

Non-Current Portion of Notes Payable

\$ 191,353

As of December 31, 2012, long term debt matures as follows:

	<u>Note Payable</u>	<u>Line of Credit</u>
2013	\$ 2,066	\$ -
2014	2,409	89,321
2015	2,584	-
2016	2,770	-
2017	2,971	-
2018 and thereafter	<u>180,619</u>	<u>-</u>
	<u><u>\$ 193,419</u></u>	<u><u>\$ 89,321</u></u>

* This loan was modified in March 2013. Please refer to the subsequent events note for details.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

8. OPERATING LEASE

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

Year	
2013	\$ 2,392
	<u>\$ 2,392</u>

9. COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation days. It is impractical to estimate the amount of compensation for future absences, and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the cost of compensated absences when actually paid to employees.

10. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2012 is as follows:

Land	\$ 81,000
Building and Improvements	391,480
Medical Equipment	39,650
Office Equipment	27,777
Furniture and Fixtures	16,816
Medical Leasehold Improvements	18,041
Computers and Software	56,335
	<u>631,099</u>
Less: Accumulated Depreciation and Amortization	<u>(312,425)</u>
Property and Equipment - Net	<u>\$ 318,674</u>

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2012

11. DONATED MATERIALS AND SERVICES IN-KIND

The Organization received in-kind donations as follows:

Donated pregnancy supplies (diapers, cribs, strollers, and car seats)	\$ 71,255
Donated fundraising expenses	58,688
Donated lab services	151,457
Donated volunteer hours (valued at \$12.00 per hour)	62,827
	<u>\$ 344,227</u>

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 1, 2013 which is the date the financial statements were available to be issued. The following events occurred from January 1 to May 1, 2013:

The Organization reduced the revolving line of credit balance by \$25,000 and the maturity date was extended to March 7, 2014. The outstanding balance was \$64,321 as of May 1, 2013.