

HOPE CLINIC FOR WOMEN
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
SEPTEMBER 30, 2018

HOPE CLINIC FOR WOMEN

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Professional Accounting & Consulting Services

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hope Clinic For Women
Nashville, Tennessee

We have audited the accompanying financial statements of Hope Clinic for Women (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, 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.

Auditor's 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 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 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 September 30, 2018, 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, PLLC

November 30, 2018

HOPE CLINIC FOR WOMEN
STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2018

ASSETS

Current Assets

| | | |
|----------------------------------|----|---------|
| Cash and Cash Equivalents | \$ | 156,370 |
| Pledges Receivable | | 3,825 |
| Related Party Pledges Receivable | | 7,000 |
| Prepaid Expenses | | 6,044 |
| Accounts Receivable | | 1,050 |
| Investments | | 47,595 |
| | | 47,595 |

| | | |
|----------------------|--|---------|
| Total Current Assets | | 221,884 |
|----------------------|--|---------|

Fixed Assets

| | | |
|--------------------------------|--|-----------|
| | | 707,257 |
| Less: Accumulated Depreciation | | (354,965) |
| | | 352,292 |

| | | |
|--------------|--|---------|
| Fixed Assets | | 352,292 |
|--------------|--|---------|

| | | |
|--------------|----|---------|
| Total Assets | \$ | 574,176 |
|--------------|----|---------|

LIABILITIES AND NET ASSETS

Current Liabilities

| | | |
|---------------------------------------|----|--------|
| Accounts Payable and Accrued Expenses | \$ | 22,454 |
| Current Portion of Note Payable | | 6,670 |
| | | 29,124 |

| | | |
|---------------------------|--|--------|
| Total Current Liabilities | | 29,124 |
|---------------------------|--|--------|

Noncurrent Liabilities

| | | |
|------------------------------------|--|---------|
| Noncurrent Portion of Note Payable | | 192,617 |
|------------------------------------|--|---------|

| | | |
|-------------------------------|--|---------|
| Total Non-Current Liabilities | | 192,617 |
|-------------------------------|--|---------|

| | | |
|-------------------|--|---------|
| Total Liabilities | | 221,741 |
|-------------------|--|---------|

Net Assets

| | | |
|--------------------------------|--|---------|
| Unrestricted | | 227,727 |
| Temporarily Restricted - Other | | 69,954 |
| Temporarily Restricted | | 54,754 |
| | | 352,435 |

| | | |
|------------------|--|---------|
| Total Net Assets | | 352,435 |
|------------------|--|---------|

| | | |
|----------------------------------|----|---------|
| Total Liabilities and Net Assets | \$ | 574,176 |
|----------------------------------|----|---------|

The accompanying notes are an integral part of this statement.

HOPE CLINIC FOR WOMEN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| Support and Revenue | | | |
| Support | | | |
| Contributions | \$ 417,639 | \$ 227,253 | \$ 644,892 |
| Received Indirectly - Allocated by Local Churches | 153,464 | - | 153,464 |
| Donated Supplies and Services In-Kind | 223,833 | - | 223,833 |
| Special Events, net of direct costs of \$46,129 | 147,873 | - | 147,873 |
| Endowment Fund | - | 29,754 | 29,754 |
| Net Assets Released from Restrictions | 171,712 | (171,712) | - |
| Total Support | <u>1,114,521</u> | <u>85,295</u> | <u>1,199,816</u> |
| Revenue | | | |
| Medical | 20,642 | - | 20,642 |
| Counseling Income | 7,044 | - | 7,044 |
| Other Income | 1,583 | - | 1,583 |
| Total Revenue | <u>29,269</u> | <u>-</u> | <u>29,269</u> |
| Total Support and Revenue | <u>1,143,790</u> | <u>85,295</u> | <u>1,229,085</u> |
| Expenses | | | |
| Program Services | | | |
| Counseling and Support | <u>975,609</u> | <u>-</u> | <u>975,609</u> |
| Supporting Services | | | |
| Management and General | 122,664 | - | 122,664 |
| Fundraising | 99,294 | - | 99,294 |
| Total Support Services | <u>221,958</u> | <u>-</u> | <u>221,958</u> |
| Total Expenses | <u>1,197,567</u> | <u>-</u> | <u>1,197,567</u> |
| Change in Net Assets | (53,777) | 85,295 | 31,518 |
| Net Assets, October 1, 2017 | <u>281,504</u> | <u>39,413</u> | <u>320,917</u> |
| Net Assets, September 30, 2018 | <u>\$ 227,727</u> | <u>\$ 124,708</u> | <u>\$ 352,435</u> |

The accompanying notes are an integral part of this statement.

HOPE CLINIC FOR WOMEN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | <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 | \$ 437,066 | \$ 75,776 | \$ 67,456 | \$ 580,298 |
| Employee Benefits | 15,432 | 3,215 | 2,786 | 21,433 |
| Payroll Taxes | 31,364 | 6,534 | 5,663 | 43,561 |
| Total Salaries and Benefits | <u>483,862</u> | <u>85,525</u> | <u>75,905</u> | <u>645,292</u> |
| Professional Fees | - | 11,709 | - | 11,709 |
| Contract Labor | 60,485 | - | - | 60,485 |
| Continuing Education | 11,571 | 3,086 | 771 | 15,428 |
| Client Materials | 1,178 | - | - | 1,178 |
| Postage and Shipping | 973 | 260 | 65 | 1,298 |
| Mailings | - | - | 2,018 | 2,018 |
| Office Supplies | 5,216 | 2,028 | - | 7,244 |
| Telephone | 8,852 | 2,360 | 590 | 11,802 |
| Utilities | 9,584 | 2,555 | 639 | 12,778 |
| Equipment | 233 | 91 | - | 324 |
| Janitorial Services | 3,035 | - | - | 3,035 |
| Systems Development | 4,914 | 1,310 | 328 | 6,552 |
| Repairs and Maintenance | 6,179 | 1,648 | 412 | 8,239 |
| Insurance | 18,749 | 5,000 | 1,250 | 24,999 |
| Bank Fees | - | 582 | - | 582 |
| Licenses and Dues | 435 | 116 | 29 | 580 |
| Travel and Conferences | 956 | 255 | 64 | 1,275 |
| Advertising and Public Relations | 8,324 | - | - | 8,324 |
| Gifts - Appreciation | 542 | 145 | 36 | 723 |
| Board Expenses | - | 182 | - | 182 |
| Miscellaneous | 2,023 | 540 | 136 | 2,699 |
| Donor Relations | - | - | 5,969 | 5,969 |
| Security | 760 | - | - | 760 |
| Medical | 52,706 | - | - | 52,706 |
| Prevention | 1,671 | - | - | 1,671 |
| Pregnancy Services | 40,597 | - | - | 40,597 |
| Interest | 14,188 | - | - | 14,188 |
| Church Outreach | 2,870 | - | - | 2,870 |
| BHT Grant Staff | 1,867 | - | - | 1,867 |
| Donated Materials and Services In Kind: | | | | |
| Pregnancy Supplies | 76,620 | - | - | 76,620 |
| Event Expenses | - | - | 9,764 | 9,764 |
| Medical Services | 21,696 | - | - | 21,696 |
| Volunteer Service Hours | 115,753 | - | - | 115,753 |
| Total Other Expenses | <u>471,977</u> | <u>31,867</u> | <u>22,071</u> | <u>525,915</u> |
| Total Expenses Before Depreciation | 955,839 | 117,392 | 97,976 | 1,171,207 |
| Depreciation | 19,770 | 5,272 | 1,318 | 26,360 |
| Total Functional Expenses | <u>\$ 975,609</u> | <u>\$ 122,664</u> | <u>\$ 99,294</u> | <u>\$ 1,197,567</u> |

The accompanying notes are an integral part of this statement.

HOPE CLINIC FOR WOMEN
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|--|----|-----------------|
| Change in Net Assets | \$ | 31,518 |
| Depreciation | | 26,360 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operations: | | |
| (Increase) Decrease in: | | |
| Pledges Receivable | | 2,065 |
| Prepaid Expenses | | 610 |
| Accounts Receivable | | (1,050) |
| Increase (Decrease) in: | | |
| Accounts Payable | | <u>(18,903)</u> |
| Net Cash Provided by Operating Activities | | <u>40,600</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|---------------------------------------|--|-----------------|
| (Purchase)/Disposal Fixed Assets | | (9,362) |
| Investment in Mutual Funds | | <u>(47,595)</u> |
| Net Cash Used by investing Activities | | <u>(56,957)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | | |
|---------------------------------------|----|-----------------------|
| Principle Paid on Note Payable | | <u>(6,221)</u> |
| Net Cash Used by Financing Activities | | <u>(6,221)</u> |
| Net Increase in Cash | | (22,578) |
| Cash, October 1, 2017 | | <u>178,948</u> |
| Cash, September 30, 2018 | \$ | <u><u>156,370</u></u> |

SUPPLEMENTAL DISCLOSURE

| | | |
|---------------|----|----------------------|
| Interest Paid | \$ | <u><u>14,188</u></u> |
|---------------|----|----------------------|

The accompanying notes are an integral part of this statement.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Hope Clinic for Women, founded in 1983, is a safe and confidential place for people dealing with unplanned pregnancies, access to women's healthcare, pregnancy loss and postpartum depression. The Organization provides medical care, professional counseling, case management, education classes, mentorship and practical support regardless of age, race or religion or ability to pay. Hope Clinic for Women equips individuals in the Middle Tennessee area to make healthy choices for themselves and their families related to our four core programs: Pregnancy Services, Medical Services, Prevention Education Services, and Counseling Services.

Pregnancy Services- This service provides options information, professional counseling, pregnancy tests and early prenatal care/ultrasounds. In addition, participants of the Pregnancy Bridge program receive personalized case management which can include a professional counselor, a mentor, educational classes and access to free material assistance from the beginning of pregnancy through the child's first year. With both male and female counselors and mentors, we provide counseling and support to all individuals involved (mother and father of the baby and parents/ family supports).

Medical Services- Since 2001, Hope Clinic has offered STD testing and treatment. Our Nurse Practitioners and Nursing staff answer patients' questions, listen to their concerns, and educate them on women's health, pregnancy, and STD's. Since 2016 we began offering affordable women's well-care annual physicals and visits related to gynecological health concerns. For our teens, we offer free medical visits in a private and confidential setting with the Nurse Practitioner to discuss health concerns related to puberty, development, personal hygiene and care, and sexual health. The Nurse Practitioner can also conduct age-appropriate health screenings, as needed. Often, these medical clients are successfully transitioned to additional care from our professional counselors to work on issues related to healthy relationships and self-esteem.

Prevention Education Services- This program is for private and public middle and high school students, young adults, churches and parents covering accurate information on STDs, abstinence education and tools necessary to make healthy life choices. We utilize an evidence-based curriculum that promotes abstinence and healthy relationships; and our staff are certified Sexual Risk Avoidance Educators with the State of Tennessee.

Counseling Services- In addition to our counseling of pregnancy and prevention clients, we also offer counseling for pregnancy loss and postpartum depression and anxiety. The services originally began as post-abortion counseling, but in 2009, it was expanded to include all forms of Pregnancy Loss (miscarriage, stillbirth, and infant death). Later, extended to cover issues related to adoption, failed IVF, and infertility. In 2009, we also added postpartum depression in partnership with St. Thomas Health Services. These services include a combination of clinical, practical and spiritual components. Our Board member, who is a Psychiatric Physician, is able to monitor and prescribe medications for anxiety and depression related to pregnancy loss and postpartum depression. There is a psychiatric Nurse Practitioner on staff to cover medication management and a licensed therapist on the Board of Directors to ensure proper protocol when dispensing medication.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Restricted and Unrestricted Net Assets:

Hope Clinic for Women ("the Organization") 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 \$93,708 as of September 30, 2018.

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 September 30, 2018.

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.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted Endowment Fund:

The Uniform Prudent Management Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The FASB Accounting Standards Codification provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the organization's net asset classification of donor-restricted endowment funds, a description of the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization's endowment investment policies, and additional disclosures not previously required.

Advertising:

The Organization expenses advertising costs as incurred. Advertising costs for the year ended September 30, 2018 were \$8,324. 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.

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 year ended September 30, 2015 are no longer open for examination.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 September 30, 2018.

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 September 30, 2018 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.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2018

2. FAIR VALUE OF INVESTMENTS

The Organization's investments are reported at fair value in the accompanying statements of financial position.

| Fair Value Measurements at September 30, 2018 | | | | |
|---|------------------|---|---|--|
| | | Quoted Prices In Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | Fair Value | | | |
| Mutual Funds | \$ 47,595 | \$ 47,595 | \$ - | \$ - |
| | <u>\$ 47,595</u> | <u>\$ 47,595</u> | <u>\$ -</u> | <u>\$ -</u> |

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 2 Fair Value Measurements - The fair value of the investments are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly, or indirectly.

Level 3 Fair Value Measurements - The fair value of the investments are based on at least one significant unobservable input.

3. 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 September 30, 2018 there were no long-term pledges receivable. The majority of the pledges were received from individual donors. Collection of pledges receivable as of September 30, 2018 is anticipated over the following maturity schedule:

| | |
|------|-----------------|
| 2018 | <u>\$ 3,825</u> |
|------|-----------------|

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2018

4. RELATED PARTY PLEDGES RECEIVABLE

Related party pledges receivable consisted of all pledges received from employees and board members at September 30, 2018. 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 September 30, 2018 there were no long-term related party pledges receivable. Collection of related party pledges receivable as of September 30, 2018 is anticipated over the following maturity schedule:

| | |
|------|-----------------|
| 2018 | <u>\$ 7,000</u> |
|------|-----------------|

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 September 30, 2018 as follows:

| | |
|--|-------------------|
| Purpose restrictions accomplished: | |
| Medical Fund | \$ 51,750 |
| Pregnancy Fund | 44,994 |
| Prevention Fund | 42,094 |
| Operating Fund | 57,875 |
| Endowment Fund | <u>(25,000)</u> |
| Total Net Assets Released from Restriction | <u>\$ 171,712</u> |

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30, 2018:

| | |
|---|-------------------|
| Medical Fund | \$ 11,375 |
| Pregnancy Fund | 17,558 |
| Prevention Fund | 12,269 |
| Operating Fund | 28,752 |
| Endowment Fund | <u>54,754</u> |
| Total Temporarily Restricted Net Assets | <u>\$ 124,708</u> |

7. ENDOWMENT

The Organization's endowment consists of donor restricted gifts held primarily in investment accounts. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2018

7. ENDOWMENT (CONTINUED)

Changes in Endowment Net Assets for the fiscal year ended September 30, 2018:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|------------------|
| Endowment net assets, beginning of year | \$ - | \$ - | \$ - | \$ - |
| Transfers in | - | 25,000 | - | 25,000 |
| Contributions | - | 28,078 | - | 28,078 |
| Investment return, net appreciation | - | 1,676 | - | 1,676 |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 54,754</u> | <u>\$ -</u> | <u>\$ 54,754</u> |

Interpretation of Relevant Law

The Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-temporarily restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as temporarily restricted net assets (a) the original value of gifts donated to the temporarily restricted endowment, (b) the original value of subsequent gifts to the temporarily restricted endowment, and (c) accumulations to the temporarily restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-temporarily restricted endowment fund that is not classified in temporarily restricted net assets is classified as unrestricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-temporarily restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no deficiencies of this nature for the year ended September 30, 2018.

Endowment Investment Policy and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-temporarily restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2018

7. ENDOWMENT (CONTINUED)

Under the Organization's policy, as approved by the Board of Directors, endowment assets are invested primarily in equity securities.

Strategies Employed for Achieving Investment Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating dividend and interest income from the endowment fund as necessary to fund Organization programs provided the investment balance is greater than the original gift value. Specific agreements with donors for income taken relative to their specific endowment gifts are exempted.

8. RETIREMENT PLAN

The Organization sponsors a 401k retirement plan allowing contributions by employees. The Organization suspended its contributions in June of 2009 and resumed them during the year ended September 30, 2014. Full-time employees are eligible to participate in the plan after 60 days of employment. Retirement matching is vested after a 3 year anniversary. The Organization matches 25% of employee contributions up to 8% of the employee's salary. Pension expense for the year ended September 30, 2018 was \$3,526.

9. NOTES PAYABLE

The Commercial loan dated April 7, 2011 was refinanced on May 15, 2015 with Southeast Financial Federal Credit Union by combining the then outstanding balance of \$31,089 with the \$187,656 outstanding balance of the Commercial loan, plus some additional borrowings. The new loan will mature March 27, 2025. Monthly payments of \$1,701 are required which include principle and interest calculated at 7%.

| | |
|--------------------------------------|-------------------|
| Total Notes Payable | \$ 199,287 |
| Less Current Portion | <u>6,670</u> |
| Non-Current Portion of Notes Payable | <u>\$ 192,617</u> |

HOPE CLINIC FOR WOMEN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2018

9. NOTES PAYABLE (CONTINUED)

As of September 30, 2018, long term debt matures as follows:

| <u>Year</u> | <u>Note Payable</u> |
|---------------------|---------------------|
| 2019 | \$ 6,670 |
| 2020 | 7,153 |
| 2021 | 7,670 |
| 2022 | 8,224 |
| 2023 | 8,819 |
| 2024 and thereafter | <u>160,751</u> |
| Total Notes Payable | <u>\$ 199,287</u> |

10. FIXED ASSETS

A summary of property and equipment at September 30, 2017 is as follows:

| | |
|---|-------------------|
| Land | \$ 81,000 |
| Building and Improvements | 525,739 |
| Medical Equipment | 9,730 |
| Office Equipment | 42,711 |
| Furniture and Fixtures | 20,181 |
| Computers and Software | <u>27,896</u> |
| Fixed Assets - Gross | 707,257 |
| Less: Accumulated Depreciation and Amortization | (354,965) |
| Fixed Assets - Net | <u>\$ 352,292</u> |

11. DONATED MATERIALS AND SERVICES IN-KIND

The Organization received in-kind donations as follows:

| | |
|---|-------------------|
| Donated Pregnancy Supplies (diapers, cribs, strollers, and car seats) | \$ 76,620 |
| Donated event expenses | 9,764 |
| Donated medical services | 21,696 |
| Donated service hours (Valued at \$23.56/hr) | <u>115,753</u> |
| Total Donated Materials and Services | <u>\$ 223,833</u> |

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 30, 2018, which is the date the financial statements were available to be issued.