

PREGNANCY ASSISTANCE CENTER NORTH, INC.

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

August 31, 2015 and 2014

Contents

	<u>Page</u>
Independent Auditor's Report	2
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statement of Cash Flows	8
Notes to Financial Statements	9

***SLOAN, CARTAGENA & ASSOCIATES P.C.
CERTIFIED PUBLIC ACCOUNTANTS
10515 SADDLEHORN TRAIL
HOUSTON, TEXAS 77094***

281-890-3042

Independent Auditor's Report

Board of Directors
Pregnancy Assistance Center North, Inc.
Houston, Texas

Report on the Financial Statements

I have audited the accompanying financial statements of Pregnancy Assistance Center North, which comprise the statements of financial position as of August 31, 2015 and 2014, and the statements of activities, statements of functional expenses and statements cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Independent Auditor's Report (continued)

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 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pregnancy Assistance Center North as of August 31, 2015 and 2014, and the changes in net assets, and the functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

January 2, 2016
Houston Texas

PREGNANCY ASSISTANCE CENTER NORTH, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 416,445	\$ 366,960
Prepaid Expenses	<u>14,258</u>	<u>14,419</u>
TOTAL CURRENT ASSETS	430,703	381,379
FIXED ASSETS		
Property, Plant, and Equipment - Net	682,416	612,301
OTHER ASSETS		
Rental Lease and Utility Deposit	<u>4,464</u>	<u>4,464</u>
TOTAL ASSETS	<u><u>\$ 1,117,583</u></u>	<u><u>\$ 998,144</u></u>
 LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	<u>\$ 2,712</u>	<u>\$ 9,608</u>
TOTAL CURRENT LIABILITIES	2,712	9,608
NET ASSETS		
Restricted	79,096	71,352
Unrestricted	<u>1,035,775</u>	<u>917,184</u>
TOTAL NET ASSETS	1,114,871	988,536
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,117,583</u></u>	<u><u>\$ 998,144</u></u>

See independent auditor's report and notes to financial statements

PREGNANCY ASSISTANCE CENTER NORTH, INC.

STATEMENTS OF ACTIVITIES

For the years ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED NET ASSETS		
REVENUES		
Contributions/Fundraising	\$ 995,765	\$ 825,971
Thrift Store	170,426	144,653
Grants	130,125	104,650
Other Income	<u>4,202</u>	<u>14,404</u>
TOTAL REVENUE	1,300,518	1,089,678
RECLASSIFICATIONS		
Net Assets Released from Restrictions	<u>-</u>	<u>10,205</u>
Total Unrestricted Revenue and Reclassifications	1,300,518	1,099,883
EXPENSES		
Program Expenses	848,092	718,333
General & Administrative	112,516	142,873
Thrift Store	127,674	107,122
Fundraising Expense - Note 3	<u>93,645</u>	<u>77,959</u>
TOTAL EXPENSES	<u>1,181,927</u>	<u>1,046,287</u>
Increase in Unrestricted Net Assets	118,591	53,596
Temporarily Restricted Net Assets		
Contributions	7,744	81,557
Net assets released from restrictions	<u>-</u>	<u>(10,205)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>7,744</u>	<u>71,352</u>
Increase (Decrease) in Net Assets	126,335	124,948
Net Assets, Beginning of Year	<u>988,536</u>	<u>863,588</u>
Net Assets, End of Year	<u><u>\$ 1,114,871</u></u>	<u><u>\$ 988,536</u></u>

See independent auditor's report and notes to financial statements

PREGNANCY ASSISTANCE CENTER NORTH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended August 31, 2015

	Program Services	Mangt & General	Fundraising	Thrift Store
Advertising	\$ 14,307	\$ -	\$ -	\$ 2,084
Affiliation Fees	2,139	-	-	-
Cleaning & Maintenance	4,330	780	-	3,163
Compensation	354,020	62,810	68,520	85,650
Conferences & Training	23,751	-	-	-
Cost of Direct Benefit to Donors	123,296	-	-	-
Events	-	-	11,869	-
Educational & Counseling	10,597	-	-	-
Equipment Rental & Maintenance	16,786	6,974	-	400
Mailings	-	-	11,367	-
Insurance	14,636	2,310	376	4,850
Audit	-	5,650	-	-
Office Supplies & Expense	8,398	7,633	-	-
Postage	-	3,105	-	71
Utilities	14,535	1,313	-	2,434
Rent	130,107	405	-	-
Repairs & Maintenance	6,379	5,280	-	140
Supplies	4,270	1,506	-	7,542
Sonogram & Testing Supplies & Expense	47,892	-	-	-
Telephone	13,205	4,682	-	1,801
Depreciation	36,376	673	-	2,777
Other	23,068	9,395	1,513	16,762
	<u>\$ 848,092</u>	<u>\$ 112,516</u>	<u>\$ 93,645</u>	<u>\$ 127,674</u>

See independent auditor's report and notes to financial statements

PREGNANCY ASSISTANCE CENTER NORTH, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended August 31, 2014

	Program Services	Mangt & General	Fundraising	Thrift Store
Advertising	\$ 13,121	\$ -	\$ -	\$ 1,986
Affiliation Fees	2,629	-	-	-
Cleaning & Maintenance	2,901	843	-	780
Compensation	287,365	93,644	56,772	67,439
Conferences & Training	15,956	-	-	-
Cost of Direct Benefit to Donors	105,010	-	-	-
Events	-	-	10,384	-
Educational & Counseling	24,431	-	-	-
Equipment Rental & Maintenance	14,116	9,783	-	-
Mailings	-	-	10,784	-
Insurance	10,502	477	-	2,881
Audit	-	5,800	-	-
Office Supplies & Expense	8,995	5,942	-	-
Postage	-	4,183	-	-
Utilities	10,682	1,363	-	2,446
Rent	87,039	2,795	-	-
Repairs & Maintenance	1,423	1,476	-	3,884
Supplies	3,573	2,007	-	9,666
Sonogram & Testing Supplies & Expense	38,328	-	-	-
Telephone	14,238	183	-	2,105
Interest	1,142	250	-	-
Depreciation	31,884	673	-	2,777
Other	44,998	13,454	19	13,158
	<u>\$ 718,333</u>	<u>\$ 142,873</u>	<u>\$ 77,959</u>	<u>\$ 107,122</u>

PREGNANCY ASSISTANCE CENTER NORTH, INC.

STATEMENTS OF CASH FLOWS

For the years ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 125,828	\$ 124,948
Adjustments to Reconcile Change in Net Assets to Net Cash used by Operating Activities		
Depreciation	39,827	35,335
(Increase) Decrease in Prepaid Expenses	161	(1,529)
Increase (Decrease) in Accounts Payable	<u>(6,896)</u>	<u>738</u>
NET CASH FROM OPERATING ACTIVITIES	158,920	159,492
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Building Improvement and other assets	<u>109,942</u>	<u>-</u>
NET CASH FROM INVESTING ACTIVITIES	48,978	159,492
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment on Note Payable - Prime Bank	<u>-</u>	<u>(97,851)</u>
NET CASH FROM FINANCING ACTIVITIES	<u>-</u>	<u>(97,851)</u>
NET INCREASE (DECREASE) IN CASH	48,978	61,641
Cash, Beginning of Year	<u>366,960</u>	<u>305,319</u>
Cash, End of Year	<u><u>\$ 415,938</u></u>	<u><u>\$ 366,960</u></u>
Supplemental Disclosure:		
Cash Paid for Interest	<u><u>\$ -</u></u>	<u><u>\$ 1,142</u></u>

See independent auditor's report and notes to financial statements

PREGNANCY ASSISTANCE CENTER NORTH, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2015

Note 1 – Organization

Pregnancy Assistance Center North, Inc. (The Center) was incorporated in 1987 under the Texas Non-Profit Corporation Act. The Center was originally named Living Alternatives of Conroe, Inc. The name was changed to Pregnancy Assistance Center North, Inc. in May of 1998.

The Center is a non-profit organization that provides practical assistance and expresses Christian love and compassion to women/men in crisis pregnancy situations without charge or obligation. The Center provides pregnancy testing, STD testing, peer and professional counseling, childbirth and relationship classes, nutrition counseling, support groups and training in life skills. The Center also provides free food, clothing, diapers and formula to clients in need. Through the programs, which are responsibility based, clients may earn vouchers to exchange for layette items such as cribs, car seats and baby furniture.

In April, 1996, the Center became a Care Net affiliate. Care Net is a national organization dedicated to equipping crisis pregnancy centers to offer high quality, biblically based client services.

Note 2 – Summary of Significant Accounting Policies

Basis of Statements

The financial statements of the Center are prepared using the accrual basis of accounting. Contributions are recognized when a donor makes an unconditional promise to give and expenses are recognized when incurred.

The Center's financial statements have been prepared in accordance with ASC 958, "Financial Statements of Not-for-Profit Organizations". Under ASC 958 The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, it is required to present a statement of cash flows.

PREGNANCY ASSISTANCE CENTER NORTH, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2015

Note 2 – Summary of Significant Accounting Policies - Continued

Contributions

The Center adopted ASC 958, “Accounting for Contributions Received and Contributions Made,” whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If restrictions are met in the same reporting period as when the contribution is received, the contributions are recognized as unrestricted.

General Fixed Assets

Property and equipment are recorded at cost. Depreciation is calculated using the straight line method with assets depreciated over the following useful lives:

Furniture and Fixtures	5 years
Office Equipment	3-5 years
Building	39 years

Federal Income Taxes

Pregnancy Assistance Center North, Inc. is a nonprofit corporation as defined by section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes. Pregnancy Assistance Center North, Inc. is up to date with all of its tax filings. Tax years ended August 31, 2012, 2013, and 2014 are open to examination by the Internal Revenue Service.

Donated Services

Client services are provided primarily by trained volunteers. The value of time and effort contributed by such individuals is not reflected in these financial statements.

PREGNANCY ASSISTANCE CENTER NORTH, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2015

Note 2 – Summary of Significant Accounting Policies - Continued

Non-Cash Donations

The Center receives various non-cash donations including formula, diapers, and clothes. The value of the non-cash donations are immaterial and are not reflected in the financial statements.

Cash equivalents and Cash

Cash equivalents are highly liquid investments with a maturity date no longer than 90 days.

Credit Risk

The Center maintains bank accounts at two banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At August 31, 2015 the Center had an uninsured bank balance of \$1,840 and at August 31, 2015 the Center had an uninsured bank balance of \$126,748.

Note 3 – Fundraising Income & Expenses

Fundraising income and expenses are derived from the development dinner held annually by the Center and various other fundraising events. Income includes amounts paid by participants of the events as well as amounts donated by sponsors to offset costs incurred by these events. Expenses reflect the total costs incurred for these events and are not reduced by the donations described above.

PREGNANCY ASSISTANCE CENTER NORTH, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2015

Note 4 – Fixed Assets

Fixed assets as of August 31, 2015 and 2014 are as follows:

	2015	2014
Building and Improvements	\$ 552,210	\$ 451,546
Land	170,000	170,000
Furniture and Fixtures	16,519	16,519
Office Equipment	186,042	176,765
Box Truck	9,775	9,775
	<u>934,546</u>	<u>824,605</u>
Less - Accumulated Depreciation	<u>252,130</u>	<u>212,304</u>
Total Fixed Assets	<u>\$ 682,416</u>	<u>\$ 612,301</u>

Note 5 – Long-Term Debt

During the year ended August 31, 2014 the note payable to Woodforest Bank was paid in full. Pregnancy Assistance Center North, Inc. has no debt at August 31, 2015.

Note 6 – Reclassification Expenses

Various expense accounts in the Statement of Activities and Statement of Functional Expenses for the year ended August 31, 2014 have been reclassified in order to make them comparable to the revenue and expenses for the year ended August 31, 2015.

Note 7 – Restatement of Net Assets, Revenue and Expenses

During the year ended August 31, 2014 donations were received for a mobile clinic and scholarships. These donations should have been reported as restricted. Also during the year ended August 31, 2015 scholarship funds were expensed. The statement of activities and statement of position for the year ended August 31, 2014 have been restated to reflect the donations as restricted.

PREGNANCY ASSISTANCE CENTER NORTH, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2015

Note 6 – Commitments

The Center leases office space, copiers and a postage machine under non-cancelable operating leases. The Center also has a maintenance agreement on its ultrasound machines which is non-cancelable. Expenses for the year ended August 31, 2015 amounted to \$147,837 and the year ended August 31, 2014 amounted to \$102,678. The leases and maintenance agreement expire February 14, 2023. The future minimum lease and maintenance agreement commitments are as follows:

Year ended August 31, 2016	\$130,549
Year ended August 31, 2017	133,042
Year ended August 31, 2018	134,650
Year ended August 31, 2019	137,867
Year ended August 31, 2020	141,084
Year ended August 31, 2021	144,838
Year ended August 31, 2022	148,591
Year ended August 31, 2023	84,364

Note 7 – Use of Estimates

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

Note 8 – Subsequent Events

Subsequent events have been evaluated through January 2, 2016, which is the date the financial statements were issued.

Note 9 – New Accounting Pronouncements

The effects of accounting pronouncements that have been issued but have not yet taken effect are not believed to be material to the financial statements.