

PREGNANCY ASSISTANCE CENTER NORTH, INC.

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

August 31, 2017 and 2016

 SLOAN
CARTAGENA
& ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Pregnancy Assistance Center North, Inc.
The Woodlands, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Pregnancy Assistance Center North, which comprise the statements of financial position as of August 31, 2017 and 2016, 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

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 from material misstatement.

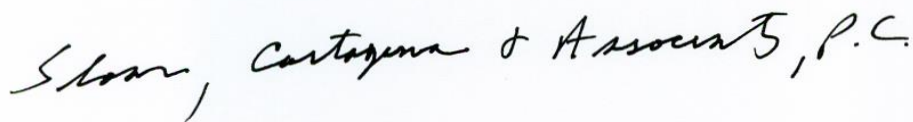
Independent Auditor's Report (continued)

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, we 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.

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 Pregnancy Assistance Center North as of August 31, 2017 and 2016, 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.



Sloan, Cartagena & Associates, P.C.

November 30, 2017
Houston Texas

PREGNANCY ASSISTANCE CENTER NORTH, INC.

STATEMENTS OF FINANCIAL POSITION

August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 237,358	\$ 263,217
Prepaid Expenses	10,665	9,994
TOTAL CURRENT ASSETS	248,023	273,211
FIXED ASSETS		
Property, Plant, and Equipment - Net	728,201	729,487
OTHER ASSETS		
Rental Lease and Utility Deposit	4,464	4,464
TOTAL ASSETS	<u>\$ 980,688</u>	<u>\$ 1,007,162</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 5,821	\$ 4,973
TOTAL CURRENT LIABILITIES	5,821	4,973
NET ASSETS		
Restricted	35,346	78,596
Unrestricted	939,521	923,593
TOTAL NET ASSETS	<u>974,867</u>	<u>1,002,189</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 980,688</u>	<u>\$ 1,007,162</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
REVENUES		
Contributions/Fundraising	\$ 959,890	\$ 878,269
Thrift Store	152,054	159,368
Grants	160,877	64,350
Other Income	<u>3,227</u>	<u>2,712</u>
TOTAL REVENUE	1,276,048	1,104,699
RECLASSIFICATIONS		
Net Assets Released from Restrictions	<u>41,289</u>	<u>500</u>
Total Unrestricted Revenue and Reclassifications	1,317,337	1,105,199
EXPENSES		
Program Expenses	933,426	860,362
General & Administrative	147,119	128,628
Thrift Store	117,992	128,908
Fundraising Expense - Note 3	<u>104,833</u>	<u>99,483</u>
TOTAL EXPENSES	<u>1,303,370</u>	<u>1,217,381</u>
Increase in Unrestricted Net Assets	13,967	(112,182)
Temporarily Restricted Net Assets		
Contributions	1,961	-
Net assets released from restrictions	<u>43,250</u>	<u>500</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(41,289)</u>	<u>(500)</u>
Increase (Decrease) in Net Assets	(27,322)	(112,682)
Net Assets, Beginning of Year	<u>1,002,189</u>	<u>1,114,871</u>
Net Assets, End of Year	<u><u>\$ 974,867</u></u>	<u><u>\$ 1,002,189</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, 2017

	Program Services	Mangt & General	Fundraising	Thrift Store
Advertising	\$ 4,422	\$ -	\$ 5,805	\$ 2,200
Affiliation Fees	2,547	-	-	-
Cleaning & Maintenance	7,068	675	-	2,265
Compensation	447,362	89,488	71,318	88,532
Conferences & Training	7,016	-	-	-
Cost of Direct Benefit to Donors	119,688	-	-	-
Events	-	-	14,540	-
Educational & Counseling	23,470	-	-	-
Equipment Rental & Maintenance	15,718	8,095	-	-
Mailings	-	-	13,048	-
Insurance	12,938	1,647	122	3,758
Audit	-	5,850	-	-
Office Supplies & Expense	10,656	5,376	-	-
Postage	-	2,859	-	-
Utilities	11,219	1,639	-	2,986
Rent	131,884	8,834	-	-
Repairs & Maintenance	-	-	-	3,097
Supplies	3,050	857	-	4,998
Sonogram & Testing Supplies & Expense	79,228	-	-	-
Telephone	8,957	4,324	-	1,336
Depreciation	36,326	1,663	-	2,777
Other	11,877	15,812	-	6,043
	<u>\$ 933,426</u>	<u>\$ 147,119</u>	<u>\$ 104,833</u>	<u>\$ 117,992</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, 2016

	Program Services	Mangt & General	Fundraising	Thrift Store
Advertising	\$ 4,172	\$ -	\$ -	\$ 3,499
Affiliation Fees	2,409	-	-	-
Cleaning & Maintenance	8,576	2,276	-	780
Compensation	383,486	67,880	74,044	92,545
Conferences & Training	10,896	-	-	2,608
Cost of Direct Benefit to Donors	118,696	-	-	-
Events	-	-	14,747	-
Educational & Counseling	11,023	-	-	-
Equipment Rental & Maintenance	16,257	8,041	-	-
Mailings	-	-	10,350	-
Insurance	20,276	1,799	342	4,485
Audit	-	5,600	-	-
Office Supplies & Expense	8,627	5,842	-	-
Postage	-	5,135	-	34
Utilities	12,475	1,899	-	3,130
Rent	134,858	9,388	-	1,594
Repairs & Maintenance	998	934	-	548
Supplies	3,907	1,502	-	6,038
Sonogram & Testing Supplies & Expense	54,058	-	-	-
Telephone	15,935	6,561	-	2,531
Depreciation	38,195	1,662	-	2,777
Other	15,518	10,109	-	8,339
	<u>\$ 860,362</u>	<u>\$ 128,628</u>	<u>\$ 99,483</u>	<u>\$ 128,908</u>

See independent auditor's report and notes to financial statements

PREGNANCY ASSISTANCE CENTER NORTH, INC.

STATEMENTS OF CASH FLOWS

For the years ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (27,322)	\$ (112,682)
Adjustments to Reconcile Change in Net Assets to Net Cash used by Operating Activities		
Depreciation	40,766	42,634
(Increase) Decrease in Prepaid Expenses	(671)	4,264
Increase (Decrease) in Accounts Payable	<u>848</u>	<u>2,261</u>
NET CASH FROM OPERATING ACTIVITIES	13,621	(63,523)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Building Improvement and other assets	<u>39,480</u>	<u>89,198</u>
NET CASH FROM INVESTING ACTIVITIES	<u>(39,480)</u>	<u>(89,198)</u>
NET INCREASE (DECREASE) IN CASH	(25,859)	(152,721)
Cash, Beginning of Year	<u>263,217</u>	<u>415,938</u>
Cash, End of Year	<u><u>\$ 237,358</u></u>	<u><u>\$ 263,217</u></u>

See independent auditor's report and notes to financial statements

PREGNANCY ASSISTANCE CENTER NORTH, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2017

Note 1 – Organization

Pregnancy Assistance Center North, Inc. (The Center) was incorporated in 1987 under the Texas Non-Profit Corporation Act.

The Center is a Christian, non-profit organization that provides practical assistance to women/men in unexpected pregnancy situations without charge or obligation. The Center provides pregnancy testing, STD testing, consultations, professional counseling, childbirth and relationship classes, an educational program (Vouch for Success – VFS) nutrition counseling, support groups, training in life skills and well-women exams. 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, 2017

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, 2015, 2016, and 2017 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, 2017

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 is 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, 2017 and 2016 the Center had no uninsured bank balance.

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, 2017

Note 4 – Fixed Assets

Fixed assets as of August 31, 2017 and 2016 are as follows:

	2017	2016
Building and Improvements	\$ 631,037	\$ 631,037
Land	170,000	170,000
Furniture and Fixtures	136,276	136,276
Office Equipment	116,645	77,165
Box Truck	9,775	9,775
	<u>1,063,733</u>	<u>1,024,253</u>
Less - Accumulated Depreciation	<u>335,532</u>	<u>294,766</u>
Total Fixed Assets	<u>\$ 728,201</u>	<u>\$ 729,487</u>

Note 5 – 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, 2017 amounted to \$143,398 and the year ended August 31, 2016 amounted to \$147,837. The leases and maintenance agreement expire February 14, 2023. The future minimum lease and maintenance agreement commitments are as follows:

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

PREGNANCY ASSISTANCE CENTER NORTH, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2017

Note 6 – 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 7 – Subsequent Events

Subsequent events have been evaluated through November 30, 2017, which is the date the financial statements were issued.

Note 8 – 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.