

**AMARILLO CRISIS PREGNANCY CENTERS
& SUBSIDIARY
d.b.a. CARENET PREGNANCY CENTERS
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2017 and 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Amarillo Crisis Pregnancy Centers d.b.a. CareNet Pregnancy Centers

I have audited the accompanying consolidated financial statements of Amarillo Crisis Pregnancy Centers d.b.a. CareNet Pregnancy Centers (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Amarillo Crisis Pregnancy Centers d.b.a. CareNet Pregnancy Centers as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Victor B. Glenn

Amarillo, TX
November 16, 2018

AMARILLO CRISIS PREGNANCY CENTERS & SUBSIDIARY
d.b.a. CareNet Pregnancy Centers
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 710,064	931,204
Unconditional promises to give, net	6,265	8,740
Prepaid expenses	1,421	445
Property and equipment, net	1,698,828	1,800,901
Intangible assets, net	<u>2,198</u>	<u>3,212</u>
Total assets	<u>\$ 2,418,776</u>	<u>\$ 2,744,502</u>
 LIABILITIES		
Accounts payable and accrued liabilities	\$ 8,516	\$ 10,356
Line of credit	-	424,674
Note payable	<u>250,883</u>	<u>303,770</u>
Total liabilities	259,399	738,800
 NET ASSETS		
Unrestricted	1,871,096	1,743,469
Temporarily restricted	<u>288,281</u>	<u>262,233</u>
Total net assets	<u>2,159,377</u>	<u>2,005,702</u>
Total liabilities and net assets	<u>\$ 2,418,776</u>	<u>\$ 2,744,502</u>

See accompanying notes

AMARILLO CRISIS PREGNANCY CENTERS & SUBSIDIARY
d.b.a. CareNet Pregnancy Centers
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Support and revenues		
Contributions and grants	\$ 910,069	\$ 997,558
Donated services and materials	70,471	259,132
Direct benefit to donors	(30,753)	(32,681)
Revenues	4,764	4,832
Gain on disposal of assets	235	-
	954,786	1,228,841
Net assets released from restrictions	349,338	395,056
Total support and revenues	1,304,124	1,623,897
 Expenses and Losses		
Program services	859,788	859,235
Management and general	189,744	131,336
Fund-raising	90,123	90,316
Total expenses	1,139,655	1,080,887
Loss on disposal of assets	-	44,136
Total expenses and losses	1,139,655	1,125,023
 Increase in unrestricted net assets	 164,469	 498,874
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants	338,544	303,245
Net assets released from restrictions	(349,338)	(395,056)
 Decrease in temporarily restricted net assets	 (10,794)	 (91,811)
 Increase in total net assets	 153,675	 407,063
 Net assets at beginning of year	 2,005,702	 1,598,639
 Net assets at end of year	 \$ 2,159,377	 \$ 2,005,702

See accompanying notes

AMARILLO CRISIS PREGNANCY CENTERS & SUBSIDIARY
d.b.a. CareNet Pregnancy Centers
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2017

	<u>Program</u>	<u>Management & General</u>	<u>Fund- Raising</u>	<u>Total</u>
Compensation	\$ 396,291	\$ 103,016	\$ 57,901	\$ 557,208
Payroll taxes	32,022	7,352	4,132	43,506
	<u>428,313</u>	<u>110,368</u>	<u>62,033</u>	<u>600,714</u>
Advertising	17,357	-	-	17,357
Assistance to individuals	11,258	-	-	11,258
Conferences and meetings	10,850	424	4,694	15,968
Depreciation	53,079	1,096	165	54,340
Dues	2,744	85	13	2,842
Honorariums	96,398	-	-	96,398
Insurance	27,865	1,670	251	29,786
Maintenance	3,835	9,143	4,423	17,401
Occupancy	36,814	1,970	296	39,080
Postage	4,520	271	41	4,832
Printing	7,701	265	9,293	17,259
Professional fees	-	12,105	-	12,105
Supplies	132,366	5,943	8,787	147,096
Telephone	10,740	644	97	11,481
Travel	6,608	-	-	6,608
Losses for uncollectible promises to give	-	25,430	-	25,430
Interest Expense	-	16,235	-	16,235
Other	9,340	4,095	30	13,465
	<u>\$ 859,788</u>	<u>\$ 189,744</u>	<u>\$ 90,123</u>	<u>\$ 1,139,655</u>

See accompanying notes

AMARILO CRISIS PREGNANCY CENTERS & SUBSIDIARY
d.b.a. CareNet Pregnancy Centers
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2016

	<u>Program</u>	<u>Management & General</u>	<u>Fund- Raising</u>	<u>Total</u>
Compensation	\$ 404,567	\$ 60,086	\$ 58,381	\$ 523,034
Payroll taxes	31,523	4,597	4,466	40,586
	<u>436,090</u>	<u>64,683</u>	<u>62,847</u>	<u>563,620</u>
Advertising	8,725	-	-	8,725
Assistance to individuals	53,514	-	-	53,514
Conferences and meetings	12,040	517	3,709	16,266
Depreciation	53,153	1,644	247	55,044
Dues	3,922	159	87	4,168
Honorariums	59,521	-	-	59,521
Insurance	35,258	2,113	318	37,689
Maintenance	6,516	6,498	6,294	19,308
Occupancy	41,804	1,871	281	43,956
Postage	3,602	216	32	3,850
Printing	6,077	184	9,971	16,232
Professional fees	-	7,500	-	7,500
Supplies	110,843	8,011	5,986	124,840
Telephone	9,859	591	89	10,539
Travel	7,904	-	-	7,904
Losses for uncollectible promises to give	-	12,437	-	12,437
Interest Expense	-	20,743	-	20,743
Other	10,407	4,169	455	15,031
	<u>\$ 859,235</u>	<u>\$ 131,336</u>	<u>\$ 90,316</u>	<u>\$ 1,080,887</u>

See accompanying notes

AMARILLO CRISIS PREGNANCY CENTERS & SUBSIDIARY
d.b.a. CareNet Pregnancy Centers
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Support collected	\$ 1,251,088	\$ 1,305,794
Revenue collected	4,764	4,834
Payments for expenses	<u>(1,075,739)</u>	<u>(1,015,962)</u>
Net cash provided by operating activities	<u>180,113</u>	<u>294,666</u>
 Cash Flows From Investing Activities		
Payments for property, equipment, and intangibles	(26,083)	(718,332)
Proceeds from sale of property and equipment	<u>102,391</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>76,308</u>	<u>(718,332)</u>
 Cash Flows From Financing Activities		
Proceeds (repayments) from line of credit	(424,674)	424,674
Payments on long-term debt	<u>(52,887)</u>	<u>(46,828)</u>
Net cash provided (used) by financing activities	<u>(477,561)</u>	<u>377,846</u>
 Net decrease in cash	(221,140)	(45,820)
 Beginning cash	<u>931,204</u>	<u>977,024</u>
 Ending cash	<u>\$ 710,064</u>	<u>\$ 931,204</u>

See accompanying notes

AMARILLO CRISIS PREGNANCY CENTERS & SUBSIDIARY
d.b.a. CareNet Pregnancy Centers
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities		
Increase in total net assets	\$ 153,675	\$ 407,065
Adjustments to reconcile increase in total net assets to net cash provided by operating activities		
Depreciation and amortization	54,339	55,044
(Gain) loss on disposal of assets	(235)	44,137
Effect of changes in		
Unconditional promises to give	2,475	4,990
Prepaid expenses	(976)	6,711
Accounts payable	(1,791)	(21,690)
Accrued liabilities	(49)	-
Non-cash donation of fixed assets	<u>(27,325)</u>	<u>(201,591)</u>
Net cash provided by operating activities	<u>\$ 180,113</u>	<u>\$ 294,666</u>
Supplemental disclosure		
Noncash investing and financing activities:		
Office and medical equipment	\$ 14,000	\$ -
Vehicles	\$ 13,325	\$ -
Building renovations	<u>\$ -</u>	<u>\$ 201,591</u>

See accompanying notes

AMARILLO CRISIS PREGNANCY CENTERS & SUBSIDIARY
d.b.a. CareNet Pregnancy Centers
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Amarillo Crisis Pregnancy Centers (d.b.a. CareNet Pregnancy Centers) (CPC) and its wholly owned subsidiary, 1501 Taylor Properties, LLC. All material intercompany transactions have been eliminated.

Basis of Accounting

The consolidated financial statements of the CPC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Nature of the Organization

The CPC was incorporated on September 11, 1987 for the purpose of assisting women with crisis pregnancies in the Amarillo, Texas area through counseling, information, emotional support and practical assistance. All services are provided free of charge at three locations in Amarillo and Canyon, Texas. The CPC operations are funded through community support.

Income Tax Status

The CPC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The CPC has qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

AMARILLO CRISIS PREGNANCY CENTERS & SUBSIDIARY
d.b.a. CareNet Pregnancy Centers
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a 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.

Unconditional Promises to Give

Unconditional promises to give are recognized as contributions in the period when the promise is received.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulation regarding how long those donated assets must be maintained, the CPC reports expirations of donor restrictions when donated or acquired assets are placed in service as instructed by the donor. The CPC reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. Volunteers also provided various services throughout the year that are not recognized as contributions in the consolidated financial statements since the criteria for recognition was not met.

Use of Estimates

The preparation of consolidated 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 results could differ from those estimates.

AMARILLO CRISIS PREGNANCY CENTERS & SUBSIDIARY
d.b.a. CareNet Pregnancy Centers
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

Property and Equipment

All expenditures for or donations of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Functional Allocation of Expenses

Certain expenses have been allocated among the programs and supporting services benefited based on time estimates and usage.

Reclassifications

Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year consolidated financial statements.

Advertising

The CPC uses advertising to promote its program services. The costs of advertising are expensed as incurred.

NOTE 2 – CONCENTRATIONS

The CPC receives approximately 5% to 10% of its annual support from an annual walk-a-thon fundraiser and approximately 20% to 25% from its annual fundraising banquet. Approximately 14% to 20% of the CPC's funding in 2017 and 2016 was provided from contributions from a corporate donor.

NOTE 3 – RELATED PARTY TRANSACTIONS

During 2017, the CPC sold two residences acquired as part of its 2015 acquisition of a building and surrounding property. These two properties were sold to entities that are owned in part by a CPC board member for a total of \$105,000. The two properties were offered to several buyers and the board represents that the related-party transaction was consummated on terms equivalent to those that prevail in an arm's-length transaction.

AMARILLO CRISIS PREGNANCY CENTERS & SUBSIDIARY
d.b.a. CareNet Pregnancy Centers
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Amounts due in less than one year	\$ 31,520	\$ 21,177
Less allowance for uncollectible amounts	<u>(25,255)</u>	<u>(12,437)</u>
	<u>\$ 6,265</u>	<u>\$ 8,740</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 72,481	\$ 72,481
Buildings	1,836,087	1,925,004
Furniture and fixtures	41,771	41,771
Vehicles	13,325	-
Equipment	<u>157,009</u>	<u>133,009</u>
	2,120,673	2,172,265
Less accumulated depreciation	<u>(421,845)</u>	<u>(371,364)</u>
	<u>\$ 1,698,828</u>	<u>\$ 1,800,901</u>

NOTE 6 – INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
“Chosen” curriculum	\$ 55,511	\$ 55,511
Web page development	<u>3,000</u>	<u>3,000</u>
	58,511	58,511
Less accumulated amortization	<u>(56,313)</u>	<u>(55,299)</u>
	<u>\$ 2,198</u>	<u>\$ 3,212</u>

AMARILLO CRISIS PREGNANCY CENTERS & SUBSIDIARY
d.b.a. CareNet Pregnancy Centers
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 7 – LINE OF CREDIT

The CPC has a \$200,000 line of credit dated April 7, 2017 with a local bank, of which none was used at December 31, 2017. Bank advances on the credit line are payable on April 7, 2018. The interest rate is ½% over prime (4% at December 31, 2017). The credit line is secured by real property owned by CPC.

NOTE 8 – NOTE PAYABLE

The CPC has an interest-free unsecured note in the amount of \$400,000 from an individual that is payable in monthly installments of \$5,000 beginning in January 2016 through August 2022. To reflect the time value of money, the liability recorded in the consolidated financial statements reflects future payments discounted at an imputed interest rate of 4.0%, which was the prevailing rate for similar transactions at the October 2015 inception of the note. The future scheduled note payments are as follows:

Years ending December 31:	
2018	\$ 60,000
2019	60,000
2020	60,000
2021	60,000
Thereafter	<u>35,000</u>
	275,000
Additional interest expense (unamortized discount)	<u>(24,117)</u>
Present value of note payments	<u>\$ 250,883</u>

NOTE 9– NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Programs	\$ 246,060	\$ 211,376
Assistance to individuals	18,104	14,627
Donor contribution for future interest	<u>24,117</u>	<u>36,230</u>
	<u>\$ 288,281</u>	<u>\$ 262,233</u>

AMARILLO CRISIS PREGNANCY CENTERS & SUBSIDIARY
d.b.a. CareNet Pregnancy Centers
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 10 – LEASES

The CPC leases certain buildings and equipment under operating leases with related expenses of \$3,707 and \$9,873 for 2017 and 2016, respectively. Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2017 are:

Year Ending December 31:

2018	\$ 3,676
2019	2,476
2020	1,277
Thereafter	<u>854</u>
	<u>\$ 8,283</u>

NOTE 11 – DONATED SERVICES

The fair value of donated services included in contributions in the consolidated financial statements and the corresponding expenses for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Repairs & renovations	\$ -	\$ 201,592
Legal and accounting	<u>2,500</u>	<u>-</u>
	<u>\$ 2,500</u>	<u>\$ 201,592</u>

NOTE 12 – SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to December 31, 2017 through November 16, 2018 (the date which the consolidated financial statements were available for issue) for potential impact on the accompanying consolidated financial statements and disclosures herein.