Pregnancy Resource Center of Gwinnett, Inc.
(d/b/a The Obria Medical Clinics)

Financial Statements

As of and for the Year Ended June 30, 2019

Table of Contents
As of and for the Year Ended June 30, 2019

ALDRIDGE & ASSOCS.

Independent Auditor's Report

To the Board of Directors
Pregnancy Resource Center of Gwinnett, Inc.
(d/b/a The Obria Medical Clinics)
Lawrenceville, Georgia

Report on Financial Statements

We have audited the accompanying financial statements of Pregnancy Resource Center of Gwinnett, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2019 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 (U.S. GAAP); 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 (U.S. GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Pregnancy Resource Center of Gwinnett, Inc. as of June 30, 2019, and the results of its operations and its cash flows for the year then ended in accordance with U.S. GAAP.

K. Glenn Aldridge

K. Glenn Aldridge, PC
(d/b/a Aldridge & Associates)
October 7, 2019

CERTIFIED PUBLIC ACCOUNTANTS
3235 Satellite Blvd.
Building 400, Suite 300
Duluth, GA 30096
www.kga-cpa.com

Statement of Financial Position
As of June 30, 2019

Assets		
Cash and cash equivalents	$	489,399
Grants receivable		52,177
Promises to give		5,000
Inventory		36,664
Prepaid expenses and other assets		12,475
Property and equipment, net		181,517
Beneficial interest in assets held by community foundation		52,522
Total assets	$	829,754
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	2,571
Deferred rent		75,444
Capital lease obigation		19,490
Total liabilities		97,505
Net assets:		
Without donor restrictions:		
Undesignated		317,807
Designated by the Board		365,000
		682,807
With donor restrictions:		
Purpose restrictions		44,442
Time restrictions		5,000
		49,442
Total net assets		732,249
Total liabilities and net assets	$	829,754

See accompanying notes to financial statements.

Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, support and gains:			
Contributions and grants	$ 786,391	$ 39,300	$ 825,691
In-kind contributions	102,316	-	102,316
Medical services, net	24,661	-	24,661
Change in beneficial interest in assets held by community foundation	2,522	-	2,522
Investment income	4,653	-	4,653
Other revenue, gains and losses	(9,292)	-	(9,292)
Net assets released from restrictions	37,254	(37,254)	-
Total revenues, support and gains	948,505	2,046	950,551
Expenses:			
Program activities:			
Medical	411,896	-	411,896
Thrive	135,654	-	135,654
PALM	11,425	-	11,425
Empowered	35,642	-	35,642
Total program activities	594,617	-	594,617
Supporting activities:			
Management and general	181,036	-	181,036
Fundraising and development	155,436	-	155,436
Total support activities	336,472	-	336,472
Total expenses	931,089	-	931,089
Changes in net assets	17,416	2,046	19,462
Net assets, beginning of year	665,391	47,396	712,787
Net assets, end of year	$ 682,807	$ 49,442	$ 732,249

Pregnancy Resource Center of Gwinnett, Inc.

(d/b/a The Obria Medical Clinics)

Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Activities					Supporting Activities			
	Medical	Thrive	PALM	Empowered	Total	Management and general	Fundraising and development	Total	Total expenses by nature
Compensation and benefits	$ 231,693	$ 53,096	$ 4,827	$ 18,427	$ 308,043	$ 105,633	$ 86,885	$ 192,518	$ 500,561
Fees for services	34,995	151	14	28	35,188	46,611	5,746	52,357	87,545
Advertising and promotion	15,420	-	-	99	15,519	-	1,884	1,884	17,403
Office expense	3,007	2,454	60	371	5,892	2,558	1,808	4,366	10,258
Information technology	8,268	-	-	77	8,345	660	1,096	1,756	10,101
Occupancy	29,823	13,918	5,302	4,639	53,682	7,953	4,639	12,592	66,274
Travel	2,442	197	-	118	2,757	1,181	-	1,181	3,938
Conferences, conventions, and meeting	-	-	-	-	-	-	37,701	37,701	37,701
Insurance	8,221	969	407	340	9,937	3,027	-	3,027	12,964
Repairs and maintenance	2,044	-	-	-	2,044	724	-	724	2,768
Telephone	2,319	1,082	412	361	4,174	618	361	979	5,153
Bank charges	2,808	-	-	-	2,808	-	4,211	4,211	7,019
Training	8,179	6,546	-	9,416	24,141	726	119	845	24,986
Furniture and equipment	4,502	515	86	243	5,346	2,445	2,144	4,589	9,935
Supplies	25,103	49,612	-	181	74,896	-	727	727	75,623
Other expenses	4,995	508	317	103	5,923	3,533	8,115	11,648	17,571
Depreciation and amortization	28,077	6,606	-	1,239	35,922	5,367	-	5,367	41,289
Total expenses by function	$ 411,896	$ 135,654	$ 11,425	$ 35,642	$ 594,617	$ 181,036	$ 155,436	$ 336,472	$ 931,089

Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities		
Cash provided by operating activities:		
Cash received from donors and grantors	$	840,113
Cash received from patients		24,661
Cash received from interest		4,653
Cash used by operating activities:		
Cash paid to employees		(500,561)
Cash paid to service providers and vendors		(298,023)
Net cash provided by operating activities		70,843
Cash flows from investing activities		
Cash purchases of property and equipment		(31,754)
Contribution to beneficial interest in assests held by community foundation		(50,000)
Net cash used by investing activities		(81,754)
Cash flows from financing activities		
Payment on capital lease obligation		(510)
Net cash used by financing activities		(510)
Net decrease in cash and cash equivalents		(11,421)
Cash and cash equivalents, beginning of year		500,820
Cash and cash equivalents, end of year	$	489,399
Supplemental disclosure of noncash activities:		
Change in beneficial interest in assets held by community foundation	$	2,522
Capital lease acquisition of property and equipment	$	20,000

1. NATURE OF ACTIVITIES

Pregnancy Resource Center of Gwinnett, Inc. (the Organization) was incorporated on February 7, 2014 under the laws of the state of Georgia as a not-for-profit corporation for the purpose of developing and administering peer-counseling and guidance programs designed to assist women and their families in confronting and dealing with the physical, emotional, and social problems associated with pregnancy; developing and administering programs designed to assist pregnant women who wish to carry their unborn child(ren) to term; and to protect the gift of human life. The Organization's corporate office and medical clinic are located in Lawrenceville, Georgia.

The Organization is funded primarily by contributions and grants.

As a fully-licensed community care clinic, doing business as The Obria Medical Clinics (see Note 4), the Organization accomplishes its exempt purpose through four primary program activities:

Medical: The Medical program provides compassionate health care and evidence-based education to women regarding their reproductive health and family well-being by offering early detection pregnancy testing, limited ultrasound imaging, sexually transmitted disease (STD) testing and treatment, abortion pill reversal treatment, well-woman care, options counseling, and community referrals.

Thrive: The Thrive program provides education through birthing, nutrition, child care, and other family classes and baby clothes, equipment, and supplies through a baby boutique.

PALM: The PALM (Post Abortion Liberating Ministry) program provides small group support and counseling to women dealing with post-abortion emotional pain.

Empowered: The Empowered program serves local schools and the community to empower youth and young adults with evidence-based information about the factual consequences associated with at risk sexual behaviors.

The Organization has been accredited by the Accreditation Association for Ambulatory Health Care, which demonstrates the Organization's commitment to provide high-quality patient care and services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The following significant accounting policies are described to enhance the usefulness of the financial statements to the reader.

Reporting Period

The Organization has selected June 30 as its fiscal year end. Accordingly, the fiscal year ended June 30, 2019 is referred to herein as 2019.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash, checking and savings accounts, and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalent balances may exceed federally insured amounts. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Grants Receivable

Grants receivable are unsecured, noninterest-bearing outstanding balances due from grantors less an allowance for uncollectible grants receivable based on an assessment of grant agreements and knowledge of circumstances that may affect the ability of the grantors to meet their obligations. Grants receivable are evaluated for impairment if full payments are not received in accordance with contractual terms. Grants receivable are written off when deemed uncollectible. At June 30, 2019, management has determined that no allowance for uncollectible grants receivable is required.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value.

Unconditional promises to give expected to be collected in future years are initially recorded at fair value using the present value of estimated future cash flows. The discounts on those amounts are computed using the average rate the Organization is earning on its investments or its idle cash applicable to the years in which the pledges are received. Amortization of the discounts would be included in contributions in the accompanying statement of activities.

A valuation allowance for uncollectible promises to give is recorded based on an assessment of historical experience, current creditworthiness, economic conditions and subsequent collections. Payments due in future periods on promises to give are restricted for time until collected. Promises to give are written off when deemed uncollectible. At June 30, 2019, management has determined that no allowance for uncollectible promises to give is required.

Management has received or anticipates receipt of all of the recorded promises to give within one year; accordingly, an allowance or discount on the pledges has not been recorded in the statement of financial position.

Inventory

Inventory, which consists of merchandise and baby boutique clothes, equipment, and supplies, is valued at cost for items purchased and fair value for items donated. The Organization only allows donors to donate new items for its baby boutique. Mothers are able to attend Thrive education classes and earn points that can be used to purchase items from the baby boutique.

Management believes that net realizable value is not a relevant measure for inventory items provided to program beneficiaries without charge or for a minimal fee; accordingly, those items are valued at cost (or fair value at date of donation) if the utility of the items has not diminished since acquisition.

The carrying amount of inventory is reduced, as needed, by a reserve for probable inventory losses related to diminished value, obsolescence or spoilage. The reserve is maintained at a level that, in management's judgment, is adequate to absorb obsolescence and other probable inventory losses. The amount is based upon historical inventory write-down experience, specific known risks or commitments, and current and anticipated economic conditions. Evaluation of these factors involves subjective estimates that may change. Actual losses are recorded as a charge to the reserve as incurred; additions to the reserve are provided through a charge to supplies expense. Management believes that no reserve for probable inventory losses is required; accordingly, no reserve has been provided at June 30, 2019.

The carrying amount of inventory items given away is charged to supplies expense as part of the Medical or Thrive programs. Sales of merchandise are included in other revenues, gains and losses.

Property and Equipment

The Organization's capitalization policy is to capitalize property and equipment with a purchase price, or donation value, in excess of $5,500 and which has a useful life greater than one year. Property and equipment purchased are recorded at cost, or fair value at the date of donation, if donated.

Maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Property items retired, or otherwise disposed of, are removed from the asset and accumulated depreciation accounts and any resulting gain or loss is reflected in the statement of activities.

Depreciation is provided over the estimated useful lives of the individual assets using the straight-line method as follows: office and medical equipment, 5 years.

Leasehold improvements are amortized using the straight-line method over the lesser of the useful lives of the improvements or the term of the lease.

Fair Value Measurement

When required or elected, the Organization reports certain assets and liabilities (financial instruments) at fair value (the estimated price at which an asset can be sold or a liability settled in an orderly transaction to a third party under current market conditions) using appropriate valuation techniques based on available inputs.

Available inputs are categorized (based on the amount of subjectivity associated with the information source) using a three-level fair value hierarchy defined by U.S. GAAP as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 - Observable inputs other than quoted prices for identical assets and liabilities

Level 3 - Unobservable inputs supported by little or no market activity

The Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 and Level 2 are not available.

The fair value of our beneficial interest in assets held by community foundation is based on the fair value of fund investments as reported by the community foundation, which is considered to be a Level 3 input.

Beneficial Interest in Assets Held by Community Foundation

On February 26, 2019, the Organization entered into an agency fund agreement with a community foundation to create *Obria Gwinnett Fund* (the Fund), a component fund of the community foundation. The Fund is owned, held and invested by the community foundation for the Organization's benefit. Distributions from the Fund are intended to benefit the Organization; however, the community foundation has been granted variance power, which allows the community foundation to modify any restriction or condition on distributions from the Fund if, in the sole judgment of the community foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

The Organization’s initial investment to the Fund was $50,000. The Fund is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

The community foundation is paid a tiered administration fee (currently 1%) on the average daily balance of the Fund as compensation for its services; such fees were not significant during 2019.

Impairment

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If a long-lived asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

Deferred Rent

Deferred rent, a liability, consists of lease incentives that are being allocated on a straight-line basis over the term of a lease (see Note 4).

Estimated Malpractice Costs

The Organization carries insurance to cover malpractice costs. Periodically, the Organization evaluates is historical and current malpractice claims to determine whether a provision for estimated malpractice costs, based on an estimate of the ultimate costs for both reported claims and claims incurred but not reported, is warranted. If a provision is deemed necessary, the provision would be included in insurance expense. Management believes that, based on its historical and anticipated malpractice costs, a provision for estimated malpractice costs is not required as of June 30, 2019.

Net Assets

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, amounts reported in the financial statements are classified in two self-balancing net asset categories as follows:

- Net assets without donor restrictions are resources currently available for use in general operations, including internal limits imposed by board decisions.

- Net assets with donor restrictions are resources whose use is limited by donor / grantor-imposed restrictions for specific purpose, passage of time, or perpetual donor-imposed stipulations that neither expire by the passage of time nor can be removed by actions of the Organization.

Recognition of Revenue

Unconditional Contributions

Contributions are reported when made, which is generally when cash (or notification of a beneficial interest) is received, unconditional promises to give are made, or ownership of donated assets is transferred to the Organization.

The Organization recognizes contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and presented in the accompanying statement of activities as net assets released from restrictions.

In certain cases, contributions are solicited for support and project accounts that have been previously funded by unrestricted resources in anticipation of receiving donor restricted contributions. Such contributions are immediately recognized as reclassifications to unrestricted support in the period received since the donor-imposed restrictions have already been satisfied.

Contributions to Acquire Long-Term Assets

Contributions of cash and other assets that must be used to acquire long-term assets are recognized as restricted support. In the absence of explicit donor stipulations about how long those long-term assets must be maintained, the Organization reports expirations of donor-imposed restrictions when the acquired long-term assets are placed into service.

Conditional Contributions

Conditional contributions received are either accounted for as a liability or are unrecognized initially until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional. There were no conditional contributions at June 30, 2019.

Exchange Transactions

The Organization receives revenue from grantors pursuant to grant contracts. The characteristics of each individual grant are considered to determine if a resource provider is receiving commensurate value in return for the resources transferred. A benefit received by the public is treated as a contribution and a benefit received by the resource provider is treated as an exchange transaction. Exchange transaction revenue is recorded as the costs are incurred for cost reimbursement grants or as the services are performed for operating and performance grants. Management has determined that all 2019 grants should be treated as contributions.

Medical Services

Fees for medical services, net of discounts, are collected from patients and recognized as revenue at the time services are rendered based on predetermined rates. Currently, the only fees collected are those paid by patients; no additional amounts are billed to health insurers or other third parties.

Charity Care

In the ordinary course of business, the Organization accepts all patients regardless of their ability to pay. Charity care services to patients for which payment is never expected is not recorded.

The cost of charity care services for 2019 was approximately $389,000. Costs are estimated as the total amount of direct and indirect costs for medical services and supplies, net of medical services revenue.

Donated Goods and Services

Unconditional contributions of goods are recorded at fair value at the date of donation. Conditional contributions of goods are either accounted for as a liability or are unrecognized initially until the barriers to entitlement are overcome, at which point the asset is recognized as unconditional. There were no conditional contributions of goods at June 30, 2019.

Contributions of long-term assets, such as property and equipment, are recorded as unrestricted support unless explicit donor stipulations specify how the long-term asset must be used. Contributions of long-term assets with explicit restrictions that specify how the assets are to be used are recognized as restricted support when received and are released from restrictions when the donated assets are placed into service.

Donated professional services that create or enhance nonfinancial assets, or require skills that would otherwise typically be purchased, are recorded as contributions at their estimated fair values when the services are rendered.

Volunteers contribute significant amounts of time to our program and supporting activities. No value has been assigned to this volunteer time.

Major Ministry Partners

During 2019, the Organization had two major ministry partners that accounted for approximately 52% of total contributions and grants.

Advertising Costs

Advertising costs, which are reflected as advertising and promotion, consist primarily of direct advertisements, graphic design, promotional materials, and participation in health fairs, are expensed as incurred. During 2019, advertising costs totaled $17,403, of which $14,424 was provided as an in-kind contribution (see Note 10).

Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Except for depreciation and occupancy and accounting, all expenses are allocated based on an estimate of where time and efforts are made and benefits are received. Depreciation and occupancy are allocated based on estimated usage and square footage. Accounting costs are charged to management and general.

Tax Exempt Status

The Organization has been organized as a Georgia nonprofit corporation, recognized by the IRS as exempt from federal income tax under Internal Revenue Code Section 501(c)(3), and determined not to be a private foundation.

The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization had no unrelated business income during 2019 and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization only recognizes the tax benefit from an uncertain tax position taken or to be taken in a tax return if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Management has analyzed tax positions taken for filings with the Internal Revenue Service and all state jurisdictions where the Organization operates. Management believes that income tax filing positions would be sustained upon examination and does not anticipate that any adjustments would result in a material adverse effect on the Organization’s financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2019.

The Organization is subject to federal and state examinations, generally three years from the date that the returns are filed; currently there are no examinations in progress for any tax periods. The Organization believes it is no longer subject to income tax examinations for fiscal years prior to 2016 (its first year of filing).

Credit Risk and Geographic Concentration

At June 30, 2019, there was no credit risk associated with grants receivable and promises to give since all outstanding amounts were collected timely.

The Organization conducts its operations solely within Gwinnett County, Georgia, and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in contributions concurrently with an increase in community need for the Organization's services.

Pending Accounting Pronouncements:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* which defers the effective date of ASU 2014-09 one year making it effective for the Organization for reporting periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Adoption of this standard is expected to result in the Organization's recognizing right-of-use assets and lease liabilities for some leases currently accounted for as operating leases under the legacy lease accounting guidance. This ASU is effective for the Organization for reporting periods beginning after December 15, 2019.

Management has not yet determined the impact of these pending accounting pronouncements on the Organization's financial statements.

3. PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2019 follows:

Leasehold improvements	$	**147,032**
Office equipment		**20,000**
Medical equipment		**74,867**
		241,899
Less accumulated depreciation and amortization		**60,382**
Net property and equipment	$	**181,517**

Depreciation and amortization expense totaled $41,289 for 2019.

Loss on disposition of property and equipment totaled $9,292 for 2019.

4. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Organization had no liabilities carried at fair value on a recurring basis and no assets or liabilities carried at fair value on a nonrecurring basis at June 30, 2019.

The following table presents assets measured at fair value on a recurring basis at June 30, 2019:

	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Beneficial interest in assets held by community foundation	$ 52,522	$ -	$ -	$ 52,522	$ 52,522

Following is a summary of changes in the fair value of assets measured at fair value on a recurring basis using Level 3 inputs for the year ended June 30, 2019:

		Beneficial Interest in Assets Held by Community Foundation
Balance at beginning of year	**$**	**-**
Initial contribution		**50,000**
Investment return, net		**2,522**
Distributions		**-**
Balance at end of year	**$**	**52,522**

5. COMMITMENTS

Licensing Affiliate

On January 2, 2018, the Organization entered into a two-year nonexclusive licensing agreement with The Obria Group, Inc. (Obria Group), a trademarked, life-affirming national brand of affiliate clinics and telemedicine. This licensing agreement requires the Organization to pay a royalty fee of 1.5% of the Organization's annual budget, excluding capital campaign and grant funds. Obria Group waived all required fees pursuant to this contract through January 2, 2020. Pursuant to this licensing agreement, the Organization began doing business as Obria Medical Clinics.

The Organization is currently renegotiating this agreement with Obria Group.

Operating Leases

In October 2017, the Organization relocated to a new facility and entered into an operating lease that included certain lease incentives, such as free and escalating rent and a landlord allowance for leasehold improvements. These incentives are being allocated on a straight-line basis over the term of the lease. The difference between the expense and the cash payments plus the unamortized landlord allowance for leasehold improvements is reported as a deferred rent liability. This lease expires in March 2023; however, the Organization has the option to exercise up to two additional five-year term renewals.

During 2018, the Organization used $79,500 of an $80,000 tenant improvement allowance. This amount has been capitalized with property and equipment and is being amortized to depreciation and amortization expense over the term of the lease. The unamortized balance of this tenant improvement allowance totaled $54,204 at June 30, 2019 and the amount of amortization included in depreciation and amortization expense related to this landlord concession totaled $14,455 for 2019.

In June 2019, the Organization terminated an operating lease agreement for equipment that was scheduled to expire in August 2021.

At June 30, 2019, minimum annual lease payments under the facility lease agreement were as follows:

For the year ended June 30,		
2020	**$**	**68,160**
2021		**84,416**
2022		**86,960**
2023		**66,952**

Rent expense, which includes payments for base rent, deferred rent adjustments and additional ancillary fees such as insurance, utilities, property taxes, and common area maintenance, totaling $61,612 for facility rental and $7,146 for equipment rental are included in occupancy and furniture and equipment expense, respectively.

Capital Lease

In June 2019, the Organization entered into a lease agreement for office equipment that has been accounted for as a capital lease. The office equipment has been capitalized at the lesser of fair market value or the present value of the minimum lease payments at the inception of the lease using the Organization's incremental borrowing rate.

At June 30, 2019, future minimum payments under the capital lease, together with the present value of minimum lease payments were as follows:

Year ending June 30,	
2020	$ 6,120
2021	6,120
2022	6,120
2023	6,120
2024	5,610
	30,090
Less amount representing interest	10,600
Discounted minimum lease payments	19,490
Less current portion	2,653
	$ 16,837

At June 30, 2019, equipment under capital lease totaled $20,000 and is included in property and equipment; however, since the equipment was placed in service late June 2019, no amortization was recorded during 2019 for this equipment.

Grant Compliance

Certain grants entered into by the Organization are subject to discretionary review by the grantor agencies, which could result in requests for reimbursements of disallowed costs or noncompliance with grantor restrictions. Currently there are no grantor agency reviews in progress and management believes that the Organization has adhered to the terms of its grants and such reviews, if they occur, are not expected to have a material adverse effect on the Organization's past results. Should the amount of these grants decrease, the Organization may be adversely affected.

6. NET ASSETS WITHOUT DONOR RESTRICTIONS

A summary of net assets without donor restrictions at June 30, 2019 were as follows:

Undesignated	$	**317,807**
Designated by the Board		
Board designated for liquidity		**365,000**
Total net assets without donor restrictions	$	**682,807**

The objective of board designations is to set aside funds to be drawn upon, pursuant to board approval, in the event of special project needs, financial distress, or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

7. NET ASSETS WITH DONOR RESTRICTIONS

A summary of net assets with donor restrictions at June 30, 2019 were as follows:

Subject to expenditure for specific purpose:		
Empowered activities	$	**32,434**
Maternity home		**3,630**
Telemedicine		**8,378**
		44,442
Subject to the passage of time:		
For periods after June 30, 2019		**5,000**
Total net assets with donor restrictions	$	**49,442**

During 2019, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors were as follows:

Purpose restrictions accomplished:		
Thrive activities	$	**1,688**
Empowered activities		**17,566**
Expiration of time restriction		**18,000**
Net assets released from donor restrictions	$	**37,254**

8. LIQUIDITY AND AVAILABILITY DISCLOSURES

The Board has a goal to maintain cash and cash equivalents on hand to meet four months of normal operating expenses, average monthly expenses are approximately $67,000; accordingly, the Board periodically designates a portion of the Organization's operating surplus to its liquidity reserve. As of June 30, 2019, the liquidity reserve totaled $365,000 (see Note 6).

The Organization prepares an annual budget that is reviewed and approved by the Board of Directors in advance of the upcoming year. Quarterly meetings are held by the Finance Committee to review internal financial statements and budget to actual comparisons. The Organization does not commit to expenditures if cash is not available to pay the expenditures immediately; however, in the event of an unanticipated liquidity need, the Organization has a corporate credit card with a credit limit up to $28,700 that it could draw upon. At June 30, 2019, the amount of available credit on this corporate credit card was approximately $26,000.

Following is a schedule, as of June 30, 2019, reflected the financial assets available to meet cash needs for general expenditures within one year:

Financial assets, at year end:		
Cash and cash equivalents	$	**489,399**
Grants receivable expected to be collected within one year		**52,177**
Promises to give expected to be collected within one year		**5,000**
		546,576
Less:		
Donor-imposed restrictions likely to be met by expenditure within one year making financial assets unavailable for general expenditure		**(49,442)**
Board designated liquidity reserve		**(365,000)**
Financial assets available to meet cash needs for general expenditures within one year	$	**132,134**

9. RELATED PARTY TRANSACTIONS

A summary of related party activity for the year ended June 30, 2019 follows:

Nature of service:		
Contributions from board members, employees, and affiliates	$	**268,810**
Donated goods and services from board members (See Note 10)		**36,638**

10. DONATED GOODS AND SERVICES

A summary of donated goods and services received during 2019 follows:

	Program Activities					Supporting Activities			
	Medical	Thrive	PALM	Empowered	Total	Management and general	Fundraising and development	Total	Totals by type
In-kind expenses:									
Unrelated parties:									
Fees for services	$ -	$ -	$ -	$ -	$ -	$ 14,700	$ -	$ 14,700	$ 14,700
Advertising and promotion	14,424	-	-	-	14,424	-	-	-	14,424
Office expense	203	32	6	13	254	191	191	382	636
Information technology	2,650	-	-	-	2,650	-	-	-	2,650
Occupancy	56	26	10	9	101	15	9	24	125
Supplies	4,700	22,212	-	-	26,912	-	-	-	26,912
Other expenses	3,669	418	60	60	4,207	448	1,576	2,024	6,231
	25,702	22,688	76	82	48,548	15,354	1,776	17,130	65,678
Related parties:									
Fees for services	18,000	-	-	-	18,000	18,638	-	18,638	36,638
	$ 43,702	$ 22,688	$ 76	$ 82	$ 66,548	$ 33,992	$ 1,776	$ 35,768	$ 102,316

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 7, 2019, the date on which the financial statements were available to be issued. Subsequent events after that date have not been evaluated. Management has not identified any items requiring recognition or disclosure.

*****