

LAKESHORE PREGNANCY CENTER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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Independent Auditors' Report

August 17, 2021

Board of Directors
Lakeshore Pregnancy Center, Inc.
Holland, Michigan

We have audited the accompanying financial statements of Lakeshore Pregnancy Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Lakeshore Pregnancy Center, Inc. as of December 31, 2020 and 2019 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.

Ferris, Basscher & Zwierns, P.C.

Certified Public Accountants
Holland, Michigan

LAKESHORE PREGNANCY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 316,149	\$ 214,952
Accounts receivable	120,365	36,762
Marketable securities	21,905	1,965
Inventories	94,170	86,449
Prepaid expenses	9,931	9,922
Total current assets	562,520	350,050
Property and equipment, net	1,267,515	1,233,727
Total assets	\$ 1,830,035	\$ 1,583,777
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 13,434	\$ 15,200
Accrued wages and related expenses	19,645	44,833
Accrued payroll liabilities	1,985	6,692
Line of credit	70,017	99,713
Total current liabilities	105,081	166,438
Net assets:		
Without donor restrictions	1,716,636	1,312,173
With donor restrictions	8,318	105,166
Total net assets	1,724,954	1,417,339
Total liabilities and net assets	\$ 1,830,035	\$ 1,583,777

See notes to financial statements

LAKESHORE PREGNANCY CENTER, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support						
Public support:						
Cash contributions	\$ 1,014,248	\$ 8,318	\$ 1,022,566	\$ 598,104	\$ 72,858	\$ 670,962
Special events, net of direct expenses of \$22,465 and \$47,885	156,687	-	156,687	209,219	-	209,219
Program revenue	-	-	-	640	-	640
In-kind contributions	95,798	-	95,798	91,991	-	91,991
Other revenue:						
Interest and dividend income	1,773	-	1,773	5,576	-	5,576
Loss on sale of assets	(2,191)	-	(2,191)	(399)	-	(399)
PPP loan forgiveness	109,000	-	109,000	-	-	-
Net assets released from restrictions	105,166	(105,166)	-	21,422	(21,422)	-
Total revenue, gains and other support	1,480,481	(96,848)	1,383,633	926,553	51,436	977,989
Expenses						
Program services	713,966	-	713,966	794,680	-	794,680
Management and general	226,782	-	226,782	235,502	-	235,502
Fundraising	135,270	-	135,270	139,434	-	139,434
Total expenses	1,076,018	-	1,076,018	1,169,616	-	1,169,616
Change in net assets	404,463	(96,848)	307,615	(243,063)	51,436	(191,627)
Net assets - beginning of year	1,312,173	105,166	1,417,339	1,555,236	53,730	1,608,966
Net assets - end of year	\$ 1,716,636	\$ 8,318	\$ 1,724,954	\$ 1,312,173	\$ 105,166	\$ 1,417,339

See notes to financial statements

LAKESHORE PREGNANCY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	2020						Total
	Program Services			Total Program Services	Management and General	Fundraising	
	Medical	Education	Outreach				
Salaries and wages	\$ 98,327	\$ 232,052	\$ 62,929	\$ 393,308	\$ 133,120	\$ 78,662	\$ 605,090
Payroll taxes	8,158	19,252	5,221	32,631	11,044	6,526	50,201
Workers' compensation	142	335	91	568	192	113	873
Other employee benefits	35	1,483	23	1,541	338	-	1,879
Total employee costs	<u>106,662</u>	<u>253,122</u>	<u>68,264</u>	<u>428,048</u>	<u>144,694</u>	<u>85,301</u>	<u>658,043</u>
Advertising and promotion	403	38,771	1,212	40,386	-	10,097	50,483
Bank charges	-	-	-	-	3,854	5,322	9,176
Conferences and meetings	20	346	41	407	881	68	1,356
Contract labor	-	-	-	-	-	29,447	29,447
Dues and subscriptions	-	4,972	-	4,972	-	-	4,972
Equipment rentals	57	2,420	38	2,515	3,456	314	6,285
Freight and postage	-	80	-	80	1,972	1,972	4,024
Insurance	322	13,788	215	14,325	3,146	-	17,471
Interest expense	-	1,036	-	1,036	1,840	-	2,876
Miscellaneous	5	9,159	4	9,168	2,632	26	11,826
Occupancy	1,357	58,034	904	60,295	12,742	493	73,530
Office supplies	292	12,509	195	12,996	17,869	1,624	32,489
Professional fees	-	-	-	-	14,290	-	14,290
Repairs and maintenance	2,552	6,023	1,633	10,208	5,879	580	16,667
Staff support and training	2,296	24	97	2,417	2,726	-	5,143
Supplies	253	10,860	169	11,282	282	26	11,590
Travel and meals	-	2,096	2,562	4,658	569	-	5,227
Volunteer support and training	-	2,595	26	2,621	-	-	2,621
Total operating costs	<u>114,219</u>	<u>415,835</u>	<u>75,360</u>	<u>605,414</u>	<u>216,832</u>	<u>135,270</u>	<u>957,516</u>
In-kind distributions	-	63,226	-	63,226	-	-	63,226
Depreciation	1,020	43,626	680	45,326	9,950	-	55,276
Total functional expenses	<u>\$ 115,239</u>	<u>\$ 522,687</u>	<u>\$ 76,040</u>	<u>\$ 713,966</u>	<u>\$ 226,782</u>	<u>\$ 135,270</u>	<u>\$ 1,076,018</u>

See notes to financial statements

LAKESHORE PREGNANCY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	2019						Total
	Program Services			Total Program Services	Management and General	Fundraising	
	Medical	Education	Outreach				
Salaries and wages	\$ 107,051	\$ 252,641	\$ 68,512	\$ 428,204	\$ 144,931	\$ 85,641	\$ 658,776
Payroll taxes	8,943	21,106	5,723	35,772	12,107	7,155	55,034
Workers' compensation	196	461	125	782	265	156	1,203
Other employee benefits	32	1,390	22	1,444	317	-	1,761
Total employee costs	<u>116,222</u>	<u>275,598</u>	<u>74,382</u>	<u>466,202</u>	<u>157,620</u>	<u>92,952</u>	<u>716,774</u>
Advertising and promotion	462	44,365	1,386	46,213	-	11,553	57,766
Bank charges	-	-	-	-	1,805	2,493	4,298
Conferences and meetings	108	1,840	217	2,165	4,691	361	7,217
Contract labor	-	-	-	-	-	28,300	28,300
Dues and subscriptions	-	3,619	-	3,619	-	-	3,619
Equipment rentals	58	2,497	39	2,594	3,567	325	6,486
Freight and postage	-	52	-	52	1,285	1,284	2,621
Insurance	265	11,344	177	11,786	2,587	-	14,373
Interest expense	-	73	-	73	131	-	204
Miscellaneous	27	8,764	18	8,809	4,370	152	13,331
Occupancy	1,406	60,131	937	62,474	10,057	491	73,022
Office supplies	160	6,841	107	7,108	9,774	888	17,770
Professional fees	-	-	-	-	14,050	-	14,050
Repairs and maintenance	5,858	13,825	3,750	23,433	8,530	585	32,548
Staff support and training	2,091	22	88	2,201	2,481	-	4,682
Supplies	195	8,324	129	8,648	543	50	9,241
Travel and meals	-	5,708	6,977	12,685	1,396	-	14,081
Volunteer support and training	-	2,247	23	2,270	-	-	2,270
Total operating costs	<u>126,852</u>	<u>445,250</u>	<u>88,230</u>	<u>660,332</u>	<u>222,887</u>	<u>139,434</u>	<u>1,022,653</u>
In-kind distributions	-	76,879	-	76,879	-	-	76,879
Depreciation	1,293	55,314	862	57,469	12,615	-	70,084
Total functional expenses	<u>\$ 128,145</u>	<u>\$ 577,443</u>	<u>\$ 89,092</u>	<u>\$ 794,680</u>	<u>\$ 235,502</u>	<u>\$ 139,434</u>	<u>\$ 1,169,616</u>

See notes to financial statements

LAKESHORE PREGNANCY CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 307,615	\$ (191,627)
Noncash items included in change in net assets:		
Depreciation	55,276	70,084
Loss on sale of assets	2,191	399
Interest and dividends reinvested	(21)	(640)
Unrealized gain on marketable securities	(1,538)	(4,717)
PPP loan forgiveness	(109,000)	-
Changes in operating assets and liabilities:		
Increase in accounts receivable, inventories and prepaid expenses	(91,333)	(26,745)
Increase (decrease) in accounts payable, accrued wages, related expenses and accrued liabilities	(31,661)	13,057
Net cash provided (used) by operating activities	<u>131,529</u>	<u>(140,189)</u>
Cash Flows from Investing Activities		
Contributions of investments	(20,335)	-
Proceeds due to sale of investments	1,954	36,913
Purchase of property and equipment	(91,255)	(2,350)
Net cash provided (used) by investing activities	<u>(109,636)</u>	<u>34,563</u>
Cash Flows from Financing Activities		
Principle payments on obligations under capital lease	-	(3,352)
Borrowings, short-term	-	108,437
Borrowings, long-term	109,000	-
Debt reduction, short-term	(29,696)	(8,724)
Net cash provided by financing activities	<u>79,304</u>	<u>96,361</u>
Net increase (decrease) in cash and cash equivalents	101,197	(9,265)
Cash and cash equivalents - beginning of year	<u>214,952</u>	<u>224,217</u>
Cash and cash equivalents - end of year	<u>\$ 316,149</u>	<u>\$ 214,952</u>
Other Cash Flow Information		
Cash paid for:		
Interest	\$ 2,876	\$ 204

See notes to financial statements

LAKESHORE PREGNANCY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies and Nature of Organization

Nature of Activities

Lakeshore Pregnancy Center, Inc. is a non-profit organization seeking to provide pregnancy information to facilitate the physical, emotional, and spiritual well-being of women and their children. The Organization is supported primarily through donor contributions.

The Organization's program services include the following:

Best Life Hero – Provides expectant fathers information on pregnancy options and parenting education

Best Life Community – Equips members of local churches to become safe, educated, and responsible encouragers for those facing an unplanned pregnancy, those considering abortion, and those who have experienced abortion.

Project Best Life – Serves area schools, churches, parents, and teenagers by empowering students to choose healthy lifestyles and relationships through social and sexual health education.

Medical – Provides medical services including pregnancy testing, ultrasounds, medical referrals, and limited prenatal consultation.

Mobile Medical Center – Brings medical services to unreached communities.

Positive Options – Provides parenting education classes to both men and women before and after childbirth.

Basis of Accounting

The Organization prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions

LAKESHORE PREGNANCY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies and Nature of Organization (Continued)

The Organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Cash and Cash Equivalents

Cash and cash equivalents include cash in checking accounts and all highly liquid investments with an original maturity of three months or less.

The Organization occasionally maintains deposits in excess of federally insured limits. This risk is managed by maintaining all deposits in highly quality financial institutions. The Organization seeks to manage its risk associated with its investments by maintaining an adequately diversified investment portfolio among issuers.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through the provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through the valuation allowance and a credit to the applicable receivable. There was no allowance at December 31, 2020 and 2019.

Marketable Securities

Investments are valued at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

Inventories

Donated inventory for the years ended December 31, 2020 and 2019 is stated at estimated fair value. The Organization receives a substantial amount of donated goods during the year from individuals and commercial enterprises, which are valued at fair value in accordance with accounting principles generally accepted in the United States of America. The donated goods are given away to clients of the Organization on an as-needed basis and as the clients earn points to redeem these goods at no cost. The Organization estimates fair value based upon reasonable retail resale rates within the area.

Property and Equipment

Property and equipment are carried at cost and the provision for depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Fixed assets over \$1,000 that have a useful life over one year are capitalized. Depreciation expense was \$55,276 and \$70,084 for the years ended December 31, 2020 and 2019, respectively.

LAKESHORE PREGNANCY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies and Nature of Organization (Continued)

Contributed Equipment

Contributed equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, the contributions are recorded as net assets without donor restrictions.

Donated Services and Materials

Material gift-in-kind items used in the Organization's programs and fundraising events are recorded as income at the time the items are received, and expensed as they are distributed, placed into service or sold.

Donated materials for years ended December 31:

	2020	2019
Mobile unit storage	\$ 14,400	\$ 14,400
Furniture and fixtures	6,955	-
Supplies	900	1,575
COVID-19 supplies	36	-
Fundraiser gifts	2,561	1,991
Repairs and maintenance	-	8,837
Inventory	<u>70,946</u>	<u>65,188</u>
Total donated services and materials	<u>\$ 95,798</u>	<u>\$ 91,991</u>

Numerous volunteers have donated significant amounts of time to the Organization's program services. No amounts have been reflected in the financial statements for these services because they did not meet the criteria for recognition under ASC 958-605-20, nor is a value for these services readily determinable.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

LAKESHORE PREGNANCY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. Summary of Significant Accounting Policies and Nature of Organization (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Tax-exempt Status

The Organization is recognized as a non-profit organization under Sec. 501(c)(3) of the Internal Revenue Code. As such, it is exempt from federal, state and local income taxes.

Advertising Costs

The Organization expenses all advertising costs as incurred. Advertising costs were \$50,483 and \$57,766 for the years ended December 31, 2020 and 2019, respectively.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

Salaries, payroll taxes and benefits are allocated based on consideration of time and effort spent per employee for program or support services.

Occupancy expenses are allocated based on square footage basis dependent on the programs and supporting activities occupying the space and include rent, repairs and maintenance, and utilities. Insurance and depreciation are allocated based on a square footage basis dependent on the programs and supporting activities occupying the space.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Risk and Uncertainty

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact around the world. The Organization is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's donors and employees, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's statements of financial position, activities, and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

LAKESHORE PREGNANCY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31 are:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 316,149	\$ 214,952
Accounts receivable	120,365	36,762
Marketable securities	<u>21,905</u>	<u>1,965</u>
Total financial assets	458,419	253,679
Less financial assets held to meet donor-imposed restrictions:		
Purpose restricted net assets (note 9)	<u>(8,318)</u>	<u>(105,166)</u>
Total available for general expenditures within one year	<u>\$ 450,101</u>	<u>\$ 148,513</u>

The above table reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed or time restrictions within one year. The Organization has a goal to maintain financial assets on hand to meet a minimum of six months of normal operating expenses, which are, on average, approximately \$90,000 per month.

3. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Specific promises to give are written-off when management believes that collection is unlikely. The following is a schedule of unconditional promises to give as of December 31:

	2020	2019
Receivables in less than one year	<u>\$ 120,365</u>	<u>\$ 36,762</u>

4. Property and Equipment

Details of property and equipment as of December 31 are as follows:

	2020	2019
Buildings and improvements	\$1,566,071	\$1,557,221
Equipment	269,989	234,672
Furniture and fixtures	<u>171,215</u>	<u>160,260</u>
Total	2,007,275	1,952,153
Accumulated depreciation	<u>(739,760)</u>	<u>(718,426)</u>
Property and equipment, net	<u>\$1,267,515</u>	<u>\$1,233,727</u>

LAKESHORE PREGNANCY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

5. Fair Values of Assets

The Organization adopted the Financial Accounting Standards Board's (FASB) standard regarding Fair Value Measurements. The standard establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets valued using level 3 inputs are based on pricing models, discounted cash flow methodologies or similar techniques where at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. Valuation techniques utilized to determine fair values are consistently applied.

	Fair Value Measurements Using:			
Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
December 31, 2020				
Edward Jones –				
Money market account	<u>\$ 21,905</u>	<u>\$ 21,905</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 21,905</u>	<u>\$ 21,905</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2019				
Edward Jones –				
Money market account	<u>\$ 1,965</u>	<u>\$ 1,965</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 1,965</u>	<u>\$ 1,965</u>	<u>\$ -</u>	<u>\$ -</u>

6. Line of Credit

The Organization has an operating line of credit from a local bank with a maximum borrowing limit of \$100,000 that bears a variable interest rate at 1% under prime with a floor of 3%. The note requires monthly interest only payments until final maturity. This line of credit is due on demand. The line of credit had an outstanding balance of \$70,017 and \$99,713 as of December 31, 2020 and 2019, respectively.

7. Note Payable

PPP Loan

On April 12, 2020, the Organization received loan proceeds in the amount of \$109,000 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in the amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “cover period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The Organization initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. The Organization recognized \$109,000 of loan forgiveness income for the year ended December 31, 2020.

LAKESHORE PREGNANCY CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

8. Operating Leases

The Organization leases its office space in Allendale from an unrelated party under an operating lease agreement expiring June 1, 2023, with monthly lease payments of \$1,200. The Organization is also responsible for property taxes and building insurance under the agreement.

The Organization received a contribution of storage space for its Mobile Medical Center from an unrelated party. The fair market value of the storage space was \$14,400 for the year ended December 31, 2020. This amount is recorded as both in-kind contribution revenue and rent expense in the financial statements. The lease is set to expire on June 1, 2021. Subsequent to year-end, the Mobile Medical Center was sold and the Organization is no longer renting out storage space.

The Organization is also leasing a printer and copy machine. The lease requires monthly payments of \$500 for machine rental and copy usage. The lease expires on July 31, 2024.

Future minimum lease payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31 are as follows:

2021	\$ 20,400
2022	20,400
2023	12,000
2024	3,500

Total rent expense under the above agreement was \$38,743 and \$38,206 for the years ended December 31, 2020 and 2019, respectively.

9. Net Assets With Donor Restrictions

At December 31, net assets with donor restrictions are available for the following purposes or periods:

	2020	2019
Purpose restrictions, available for spending:		
Client supplies	\$ 21	\$ 3,671
Equipment	888	25,792
Programs	7,409	65,035
Building campaign	-	10,668
Total net assets with donor restrictions	<u>\$ 8,318</u>	<u>\$ 105,166</u>

10. Subsequent Events

The Organization's management has evaluated subsequent events through August 17, 2021, the date on which the financial statements were available to be issued.