

# LAKESHORE PREGNANCY CENTER, INC.

## FINANCIAL STATEMENTS

For the years ended  
December 31, 2022 and 2021

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**INDEPENDENT AUDITOR'S REPORT**

October 11, 2023

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

**Opinion**

We have audited the accompanying financial statements of Lakeshore Pregnancy Center, Inc., which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lakeshore Pregnancy Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakeshore Pregnancy Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lakeshore Pregnancy Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakeshore Pregnancy Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters, that we identified during the audit.

*Hungerford Nichols*

Certified Public Accountants  
Holland, Michigan

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## **FINANCIAL STATEMENTS**

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## STATEMENTS OF FINANCIAL POSITION

LAKESHORE PREGNANCY CENTER, INC.

December 31, 2022 and 2021

### ASSETS

	2022	2021
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,008,804	\$ 748,163
Accounts receivable	181,360	124,273
Employee retention credit receivable	-	117,762
Marketable securities	156,414	21,848
Inventories	73,078	87,728
Prepaid expenses	8,655	12,498
<b>Total Current Assets</b>	1,428,311	1,112,272
Property and equipment, net	1,256,559	1,250,756
Right-of-use assets	86,890	-
<b>Total Assets</b>	<b>\$ 2,771,760</b>	<b>\$ 2,363,028</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 16,681	\$ 16,799
Accrued wages and related expenses	19,326	20,747
Accrued payroll liabilities	7,889	3,320
Current portion of operating lease liability	19,262	-
<b>Total Current Liabilities</b>	63,158	40,866
Operating lease liability	72,974	-
<b>Total Liabilities</b>	136,132	40,866
<b>Net Assets</b>		
Without donor restrictions	2,411,634	2,211,797
With donor restrictions	223,994	110,365
<b>Total Net Assets</b>	2,635,628	2,322,162
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,771,760</b>	<b>\$ 2,363,028</b>

## STATEMENTS OF ACTIVITIES

LAKESHORE PREGNANCY CENTER, INC.  
For the year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2022
<b>Revenue, Gains and Other Support</b>			
Public support:			
Cash contributions	\$ 1,123,087	\$ 223,994	\$ 1,347,081
Special events, net of direct expenses of \$60,618	160,924	-	160,924
Contributions of nonfinancial assets	219,980	-	219,980
Other revenue:			
Investment income	2,860	-	2,860
Loss on disposal of assets	(3,204)	-	(3,204)
Net assets released from restrictions	110,365	(110,365)	-
<b>Total Revenue, Gains and Other Support</b>	<b>1,614,012</b>	<b>113,629</b>	<b>1,727,641</b>
<b>Expenses</b>			
Program services	795,460	-	795,460
Management and general	347,425	-	347,425
Fundraising	271,290	-	271,290
<b>Total Expenses</b>	<b>1,414,175</b>	<b>-</b>	<b>1,414,175</b>
<b>Change in Net Assets</b>	<b>199,837</b>	<b>113,629</b>	<b>313,466</b>
<b>Net Assets - January 1, 2022</b>	<b>2,211,797</b>	<b>110,365</b>	<b>2,322,162</b>
<b>Net Assets - December 31, 2022</b>	<b>\$ 2,411,634</b>	<b>\$ 223,994</b>	<b>\$ 2,635,628</b>



## STATEMENTS OF ACTIVITIES

LAKESHORE PREGNANCY CENTER, INC.  
For the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2021
<b>Revenue, Gains and Other Support</b>			
Public support:			
Cash contributions	\$ 1,002,221	\$ 110,365	1,112,586
Special events, net of direct expenses of \$50,938	164,199	-	164,199
In-kind contributions	157,469	-	157,469
Other revenue:			
Employee retention credit	328,887	-	328,887
Miscellaneous income	877	-	877
Investment loss	(148)	-	(148)
Gain on disposal of assets	17,763	-	17,763
Net assets released from restrictions	8,318	(8,318)	-
<b>Total Revenue, Gains and Other Support</b>	<b>1,679,586</b>	<b>102,047</b>	<b>1,781,633</b>
<b>Expenses</b>			
Program services	810,205	-	810,205
Management and general	240,666	-	240,666
Fundraising	133,554	-	133,554
<b>Total Expenses</b>	<b>1,184,425</b>	<b>-</b>	<b>1,184,425</b>
<b>Change in Net Assets</b>	<b>495,161</b>	<b>102,047</b>	<b>597,208</b>
<b>Net Assets - January 1, 2021</b>	<b>1,716,636</b>	<b>8,318</b>	<b>1,724,954</b>
<b>Net Assets - December 31, 2021</b>	<b>\$ 2,211,797</b>	<b>\$ 110,365</b>	<b>\$ 2,322,162</b>

## STATEMENTS OF FUNCTIONAL EXPENSES

LAKESHORE PREGNANCY CENTER, INC.  
For the year ended December 31, 2022

	2022						
	Program Services						
	Medical	Community Engagement	Outreach	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 207,903	\$ 298,992	\$ 22,972	\$ 529,867	\$ 82,693	\$ 209,877	\$ 822,437
Payroll taxes	14,898	21,425	1,646	37,969	5,926	15,039	58,934
Workers' compensation	-	-	-	-	1,047	-	1,047
Other employee benefits	-	-	-	-	14,826	-	14,826
<b>Total Employee Costs</b>	<b>222,801</b>	<b>320,417</b>	<b>24,618</b>	<b>567,836</b>	<b>104,492</b>	<b>224,916</b>	<b>897,244</b>
Advertising and promotion	88	1,527	17,514	19,129	-	30,506	49,635
Bank charges	-	-	-	-	1,089	7,321	8,410
Conferences and meetings	-	-	-	-	21,622	-	21,622
Contract labor	-	-	-	-	26,227	-	26,227
Dues and subscriptions	-	-	-	-	6,098	-	6,098
Equipment rentals	-	-	-	-	7,558	-	7,558
Freight and postage	-	390	649	1,039	259	2,597	3,895
Insurance	-	-	-	-	20,770	-	20,770
Miscellaneous	32,007	1,630	115	33,752	718	1,140	35,610
Occupancy	-	-	-	-	69,427	-	69,427
Office supplies	194	1,162	3,630	4,986	22,078	3,014	30,078
Professional fees	-	-	-	-	10,484	-	10,484
Repairs and maintenance	-	-	-	-	31,617	-	31,617
Staff support and training	1,994	1,516	322	3,832	7,031	322	11,185
Supplies	4,975	1,477	-	6,452	1,707	-	8,159
Travel and meals	1,053	6,790	-	7,843	4,274	1,474	13,591
Volunteer support and training	-	1,334	-	1,334	493	-	1,827
<b>Total Expenses Before In-Kind Distributions and Depreciation</b>	<b>263,112</b>	<b>336,243</b>	<b>46,848</b>	<b>646,203</b>	<b>335,944</b>	<b>271,290</b>	<b>1,253,437</b>
In-kind distributions	-	96,960	-	96,960	-	-	96,960
Depreciation	1,176	50,337	784	52,297	11,481	-	63,778
<b>Total Functional Expenses</b>	<b>\$ 264,288</b>	<b>\$ 483,540</b>	<b>\$ 47,632</b>	<b>\$ 795,460</b>	<b>\$ 347,425</b>	<b>\$ 271,290</b>	<b>\$ 1,414,175</b>

See notes to financial statements.

## STATEMENTS OF FUNCTIONAL EXPENSES

LAKESHORE PREGNANCY CENTER, INC.  
For the year ended December 31, 2021

	2021						
	Program Services						
	Medical	Community Engagement	Outreach	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 107,511	\$ 253,725	\$ 68,807	\$ 430,043	\$ 145,553	\$ 86,009	\$ 661,605
Payroll taxes	7,231	17,065	4,628	28,924	9,789	5,784	44,497
Workers' compensation	83	197	53	333	113	67	513
Other employee benefits	51	2,169	34	2,254	494	-	2,748
<b>Total Employee Costs</b>	<b>114,876</b>	<b>273,156</b>	<b>73,522</b>	<b>461,554</b>	<b>155,949</b>	<b>91,860</b>	<b>709,363</b>
Advertising and promotion	351	33,677	1,052	35,080	-	8,770	43,850
Bank charges	-	-	-	-	3,291	4,545	7,836
Conferences and meetings	219	3,717	437	4,373	9,476	729	14,578
Contract labor	-	-	-	-	-	23,691	23,691
Dues and subscriptions	-	8,588	-	8,588	-	-	8,588
Equipment rentals	73	3,128	49	3,250	4,469	406	8,125
Freight and postage	-	46	-	46	1,132	1,132	2,310
Insurance	292	12,508	195	12,995	2,853	-	15,848
Interest expense	-	261	-	261	463	-	724
Miscellaneous	5	20,782	3	20,790	3,594	29	24,413
Occupancy	1,366	58,428	911	60,705	12,732	593	74,030
Office supplies	128	5,454	85	5,667	7,791	709	14,167
Professional fees	-	-	-	-	11,442	-	11,442
Repairs and maintenance	5,660	13,359	3,623	22,642	10,174	1,043	33,859
Staff support and training	3,343	35	140	3,518	3,968	-	7,486
Supplies	139	5,962	93	6,194	513	47	6,754
Travel and meals	-	3,716	4,542	8,258	1,460	-	9,718
Volunteer support and training	-	1,348	14	1,362	-	-	1,362
<b>Total Expenses Before In-Kind Distributions and Depreciation</b>	<b>126,452</b>	<b>444,165</b>	<b>84,666</b>	<b>655,283</b>	<b>229,307</b>	<b>133,554</b>	<b>1,018,144</b>
In-kind distributions	-	103,178	-	103,178	-	-	103,178
Depreciation	1,164	49,804	776	51,744	11,359	-	63,103
<b>Total Functional Expenses</b>	<b>\$ 127,616</b>	<b>\$ 597,147</b>	<b>\$ 85,442</b>	<b>\$ 810,205</b>	<b>\$ 240,666</b>	<b>\$ 133,554</b>	<b>\$ 1,184,425</b>

See notes to financial statements.

## STATEMENTS OF CASH FLOWS

**LAKESHORE PREGNANCY CENTER, INC.**  
For the years ended December 31, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 313,466	\$ 597,208
Noncash items included in change in net assets:		
Depreciation	63,778	63,103
Contribution of leasehold improvements	-	(33,804)
Loss (gain) on sale of assets	-	(17,763)
Interest and dividends reinvested	-	(11,222)
Unrealized loss on marketable securities	3,204	954
Realized loss on marketable securities	-	(552)
Reduction in the carrying amount of right-of-use assets - operating leases	18,702	-
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable, inventories and prepaid expenses	79,168	(117,795)
Increase (decrease) in accounts payable, accrued wages, related expenses, accrued liabilities and operating lease liability	(10,326)	5,802
	<b>467,992</b>	<b>485,931</b>
<b>Cash Flows from Investing Activities</b>		
Contributions of investments	(137,770)	(20,927)
Proceeds due to sale of investments	-	31,804
Proceeds from sale of assets	-	20,449
Purchase of property and equipment	(69,581)	(15,226)
	<b>(207,351)</b>	<b>16,100</b>
<b>Cash Flows from Financing Activities</b>		
Debt reduction, short-term	-	(70,017)
	<b>-</b>	<b>(70,017)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>260,641</b>	<b>432,014</b>
<b>Beginning Cash Balance</b>	<b>748,163</b>	<b>316,149</b>
<b>Ending Cash Balance</b>	<b>\$ 1,008,804</b>	<b>\$ 748,163</b>
<b>Other Cash Flow Information</b>		
Cash paid during the year for		
Interest	\$ -	\$ 724
<b>Supplemental Disclosure Cash Flow Information</b>		
ROU assets obtained in exchange for lease obligations upon the implementation of ASC 842	\$ 105,592	\$ -

## NOTES TO FINANCIAL STATEMENTS

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LAKESHORE PREGNANCY CENTER, INC.  
For the years ended December 31, 2022 and 2021

### ***Note A – Nature of Activities and Summary of Significant Accounting Policies***

#### **Nature of Activities**

Lakeshore Pregnancy Center, Inc. is a non-profit organization deeply entrenched in four communities along the lakeshore helping men and women, churches and kids in the classroom see the beauty and possibility of life. The Organization’s mission is to, “Love people to life before, during, and after a pregnancy decision”. The Organization is supported primarily through donor contributions.

The Organization’s program services include the following:

Fatherhood – Provides expectant fathers information on pregnancy options and parenting education.

Community Life – 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.

Family Support – Provides parenting education classes as well as material services to both men and women before and after childbirth.

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting, recording revenue when earned rather than when received, and recording expenses when incurred rather than when paid.

#### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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LAKESHORE PREGNANCY CENTER, INC.  
For the years ended December 31, 2022 and 2021

### *Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)*

#### **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 checking accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. From time to time during the year, the Organization may have cash in a bank checking account in excess of the federally insured limit. 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, 2022 and 2021.

#### **Employee Retention Credit Receivable**

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Organization is eligible for a refundable employee retention credit subject to certain criteria, which the Organization has met. The employee retention credit receivable represents refunds filed on quarterly IRS form 941-X forms. Accordingly, the Organization recognized \$328,887 in revenue for the year ended December 31, 2021.

#### **Investments**

Investments held by the Organization consist of money market funds and stocks. Such investments are carried at fair value, based on quoted market prices and significant other observable inputs. Investments received as donations are initially recorded at fair value on the date of receipt. Thereafter, the carrying value of such investments is adjusted to fair value, which is determined by published market quotations and other observable inputs. Realized gains and losses on the sale of investments are determined based on the first-in, first-out method. Unrealized gains and losses are included in nonoperating items on the statement of activities.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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LAKESHORE PREGNANCY CENTER, INC.  
For the years ended December 31, 2022 and 2021

### *Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)*

#### **Fair Value Measurement**

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). For a further discussion on Fair Value Measurement, refer to Note E of the financial statements.

#### **Inventories**

Donated inventory for the years ended December 31, 2022 and 2021 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 stated at cost, or in the case of donated property, at estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 39 years. The Organization follows a capitalization policy of \$1,000 in determining assets to be depreciated. Depreciation expense was \$63,778 and \$63,103 for the years ended December 31, 2022 and 2021, respectively.

#### **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.

#### **Net Assets**

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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LAKESHORE PREGNANCY CENTER, INC.

For the years ended December 31, 2022 and 2021

### ***Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)***

Net assets with donor restrictions – net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

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. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the 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. Contributions with donor-imposed stipulations that are met in the same year as received or earned are reported as unrestricted revenue.

#### **Revenue Recognition**

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance obligation or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Revenues from programs are recognized as the service is provided.

#### **Contributions**

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.



## NOTES TO FINANCIAL STATEMENTS (Continued)

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LAKESHORE PREGNANCY CENTER, INC.  
For the years ended December 31, 2022 and 2021

### *Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)*

#### **Donated Services and Materials**

The Organization recognized contributions of nonfinancial assets that create or enhance nonfinancial assets or require specialized skills and would typically be purchased had they not been provided by donation. These contributions assist the programs and supportive services of the Organization and are recorded at their fair value as contributions and expenses in the statements of activities in the period the service is provided.

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 ASC 958-605-20, nor is a value for these services readily determinable.

#### **Advertising**

The Organization expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2022 and 2021 were \$49,635 and \$43,850, respectively.

#### **Functional Expense Allocation**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

#### **Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies 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).

The Organization evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with accounting principles generally accepted in the United States of America, which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Organization has no significant unrecognized tax benefits under that criteria. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Organization's federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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LAKESHORE PREGNANCY CENTER, INC.  
For the years ended December 31, 2022 and 2021

### **Note A – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

#### **Reclassifications**

Certain balances in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year combined financial statements.

#### **New Accounting Pronouncement**

During 2022, the Organization adopted Accounting Standards Update (ASU) No. 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. As a result of the adoption of this ASU, the Organization increased transparency in its reporting of contributed nonfinancial assets. See Note H. The standard was adopted retrospectively, and the adoption of the ASU did not have an impact on the Organization's net assets.

Effective January 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. The Organization elected the effective date transition method and the package of practical expedients that permits no reassessment of whether any expired or existing contracts are or contain a lease, the lease classification for any expired or existing leases, and any initial direct costs for any existing leases as of the effective date.

As of January 1, 2022, the Organization recognized an operating lease liability of \$109,642, which represents the present value of the remaining lease payments of approximately \$4,050, discounted using the Organization's weighted average incremental borrowing rate of 1.84% and an operating right-of-use asset of \$105,592.

#### **Subsequent Events**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 11, 2023, which is the date the financial statements were available to be issued.

## NOTES TO FINANCIAL STATEMENTS (Continued)

LAKESHORE PREGNANCY CENTER, INC.  
For the years ended December 31, 2022 and 2021

### **Note B – Liquidity and Availability**

The Organization regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Organization's sources of liquidity at their disposal include cash and cash equivalents, receivables and marketable securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to their ongoing programmatic activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Organization's goal is to maintain readily available financial assets to meet six months of operating expenses. As part of its liquidity plan, excess cash is invested in certificates of deposit. The following represents the Organization's financial assets at December 31:

	<b>2022</b>	<b>2021</b>
Financial assets:		
Cash and cash equivalents	\$ 1,008,804	\$ 748,163
Accounts receivable, net	181,360	124,273
Employee retention credit receivable	-	117,762
Marketable securities	156,414	21,848
	<hr/>	<hr/>
Total financial assets	1,346,578	1,012,046
Less financial assets held to meet donor-imposed restrictions:		
Purpose restricted net assets	(223,994)	(110,365)
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Total available for general expenditures within one year	\$ 1,122,584	\$ 901,681
	<hr/> <hr/>	<hr/> <hr/>

### **Note C – 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:

	<b>2022</b>	<b>2021</b>
Receivable in less than one year	\$ 181,360	\$ 124,273
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## NOTES TO FINANCIAL STATEMENTS (Continued)

LAKESHORE PREGNANCY CENTER, INC.  
For the years ended December 31, 2022 and 2021

### Note D – Property and Equipment

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

	2022	2021
Buildings and improvements	\$ 1,591,126	\$ 1,591,126
Equipment	177,627	127,948
Furniture and fixtures	186,215	186,215
Total	1,954,968	1,905,289
Accumulated depreciation	(698,409)	(654,533)
Property and equipment, net	\$ 1,256,559	\$ 1,250,756

### Note E – Fair Values of Measurements

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities.

**Level 2** – Quoted prices in markets that are not considered active or financial instruments for which significant inputs, include quoted prices for similar assets or liabilities, interest rates, credit risk, etc.

**Level 3** – Significant unobservable inputs, which may include the Organization’s own assumption in determining fair value.

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

*Marketable Securities:* Marketable equity securities are recorded at fair value on a recurring basis. Fair value measurement is based on quoted prices. Level 1 securities include mutual funds and real estate investment trusts traded on active exchanges in over-the-counter markets and money market funds.

## NOTES TO FINANCIAL STATEMENTS (Continued)

LAKESHORE PREGNANCY CENTER, INC.  
For the years ended December 31, 2022 and 2021

### Note E – Fair Value of Assets (Continued)

	Fair Value	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>December 31, 2022</b>				
Edward Jones - money market account	\$ 60,357	\$ -	\$ 60,357	\$ -
Edward Jones - Stock	96,057	96,057	-	-
Total	<u>\$ 156,414</u>	<u>\$ 96,057</u>	<u>\$ 60,357</u>	<u>\$ -</u>
<b>December 31, 2021</b>				
Edward Jones - money market account	\$ 11,838	\$ -	\$ 11,838	\$ -
Edward Jones - Stock	10,010	10,010	-	-
Total	<u>\$ 21,848</u>	<u>\$ 10,010</u>	<u>\$ 11,838</u>	<u>\$ -</u>

### Note F – Operating Leases

The Organization leases its office space in Allendale from an unrelated party under an operating lease agreement. The lease was set to expire June 1, 2023, but has since been renewed through June 12, 2028. The lease required monthly payments of \$1,200 through June 2023, and has increased to \$1,400 for the remainder of the lease. The Organization is also responsible for property taxes and building insurance under the agreement.

During the year ended December 31, 2021, 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 \$6,000. This amount is recorded as both in-kind contribution revenue and rent expense in the financial statements. The lease expired on June 1, 2021.

The Organization is also leasing a printer and copy machine. The lease requires monthly payments of \$483 for machine rental and copy usage. The lease expires on July 31, 2024.

## NOTES TO FINANCIAL STATEMENTS (Continued)

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LAKESHORE PREGNANCY CENTER, INC.  
For the years ended December 31, 2022 and 2021

### *Note F – Operating Leases (Continued)*

The right-of-use asset and corresponding liability associated with future payments at December 31, 2022 are shown as follows:

Right-of-use assets	\$	86,890
Lease liability	\$	92,236
Weighted average:		
Discount rate		1.84%
Remaining lease term (years)		6 years

Future minimum lease payments under operating leases are as follows:

Year ended December 31, 2023	\$	21,599
2024		20,183
2025		16,800
2026		16,800
2027		16,800
2028		<u>7,000</u>
Total lease payments		99,182
Less: present value discount		<u>(6,946)</u>
Present value of lease liabilities	\$	<u><u>92,236</u></u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

LAKESHORE PREGNANCY CENTER, INC.  
For the years ended December 31, 2022 and 2021

### Note F – Operating Leases (Continued)

The following table summarizes the lease amounts included in the statements of financial position as of December 31, 2022:

<b>Assets</b>		
Operating	Operating lease right-of-use assets	\$ 86,890
<b>Total Lease Assets</b>		<u>\$ 86,890</u>
<b>Liabilities</b>		
Current		
Operating	Current portion of operating lease liabilities	\$ 19,262
Non-Current		
Operating	Operating lease liabilities, net of current portion	<u>72,974</u>
<b>Total Lease Liabilities</b>		<u>\$ 92,236</u>

Total rent expense was \$37,892 and \$31,810 for the years end December 31, 2022 and 2021, respectively.

### Note G – Net Assets With Donor Restrictions

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

	<b>2022</b>	<b>2021</b>
Purpose restrictions, available for spending:		
Client supplies	\$ 11,772	\$ 3,340
Advertising	21,735	10,578
Equipment	15,816	7,602
Building	15,623	-
Church	49,788	-
Programs	109,260	88,845
Total Net Assets with Donor Restrictions	<u>\$ 223,994</u>	<u>\$ 110,365</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

LAKESHORE PREGNANCY CENTER, INC.  
For the years ended December 31, 2022 and 2021

### Note H – Contributed Nonfinancial Assets

The Organization recognized contributed nonfinancial assets within revenue. Contributed nonfinancial assets include program supplies and special event donations.

Contributed nonfinancial assets recognized within the statements of activities as of December 31, 2022 and 2021 included:

Category	2022	2021
Mobile unit storage	\$ -	\$ 6,000
Leasehold improvements	-	33,804
Training	-	196
Supplies	-	3,552
Event supplies	-	4,611
Marketable securities	137,770	20,927
Inventory	82,210	88,379
Total donated services and materials	\$ 219,980	\$ 157,469

	2022 Revenue Recognized	Utilization in Programs/ Activities	Donor Restrictions	Valuation Techniques and Inputs
Inventory	\$ 82,210	Client Support	None	Estimated selling price
Marketable securities	\$ 137,770	Client Support	None	Quoted prices in active markets