

**Skylark Clinic, Inc.
Doing Business As
Skylark**

Financial Statements and Auditors' Report

For the Years Ended
December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Skylark Clinic, Inc.
d/b/a Skylark
Brunswick, Georgia

We have audited the accompanying financial statements of Skylark Clinic, Inc. d/b/a Skylark (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows and functional expenses 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 the Skylark Clinic, Inc. d/b/a Skylark as of December 31, 2019 and 2018, and the changes in its net assets, its cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Skylark's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Coastal CPAs, LLC

Coastal CPAs, LLC
St Simons Island, Georgia

February 28, 2020

Skylark Clinic, Inc.
d/b/a Skylark
Statements of Financial Position
As of December 31, 2019
(with summarized comparative information for 2018)

	Without Donor	With Donor Restrictions	Total	2018
Assets				
Current Assets				
Cash and cash equivalents	\$ 100,373	\$ -	\$ 100,373	\$ 100,125
Prepaid expenses	12,283	-	12,283	10,129
Total Current Assets	<u>112,656</u>	<u>-</u>	<u>112,656</u>	<u>110,254</u>
Fixed Assets				
Land	125,000	-	125,000	125,000
Buildings	165,818	-	165,818	165,818
Furniture and equipment	527,374	-	527,374	492,864
	818,192	-	818,192	783,682
Less: Accumulated depreciation	(383,903)	-	(383,903)	(329,582)
Fixed Assets, Net	<u>434,289</u>	<u>-</u>	<u>434,289</u>	<u>454,100</u>
Other Assets				
Inventory	68,512	-	68,512	71,072
Donated property held for sale	10,005	-	10,005	19,903
Refundable deposits	5,140	-	5,140	2,515
Total Other Assets	<u>83,657</u>	<u>-</u>	<u>83,657</u>	<u>93,490</u>
Total Assets	<u>\$ 630,602</u>	<u>\$ -</u>	<u>\$ 630,602</u>	<u>\$ 657,844</u>

The accompanying notes are an integral part of these financial statements.

Skylark Clinic, Inc.
d/b/a Skylark
Statements of Financial Position
As of December 31, 2019
(with summarized comparative information for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	2018
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 10,869	\$ -	\$ 10,869	\$ 4,113
Accrued expenses	6,773	-	6,773	4,942
Total Current Liabilities	<u>17,642</u>	<u>-</u>	<u>17,642</u>	<u>9,055</u>
Total Liabilities	<u>17,642</u>	<u>-</u>	<u>17,642</u>	<u>9,055</u>
Net Assets				
Without donor restrictions:				
General	178,672	-	178,672	194,689
Fixed assets	434,289	-	434,289	454,100
Total without donor restrictions	<u>612,961</u>	<u>-</u>	<u>612,961</u>	<u>648,789</u>
With donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>612,961</u>	<u>-</u>	<u>612,961</u>	<u>648,789</u>
Total Liabilities and Net Assets	<u>\$ 630,602</u>	<u>\$ -</u>	<u>\$ 630,602</u>	<u>\$ 657,844</u>

Skylark Clinic, Inc.
d/b/a Skylark
Statements of Activities
For the Year Ended December 31, 2019
(with summarized comparative information for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	2018
Revenues and Other Support				
Banquet income	\$ 174,643	\$ -	\$ 174,643	\$ 128,565
Banquet underwriting	71,715	-	71,715	64,150
Contributions	645,721	6,440	652,161	680,129
Contributions - non-cash	293,782	-	293,782	310,170
Christmas appeal	54,697	-	54,697	92,619
Grant revenue	-	-	-	52,000
Miscellaneous income	7,171	-	7,171	8,734
Interest income	64	-	64	1
Gain (loss) on sale of donated property	(3,993)	-	(3,993)	(3,585)
Released from donor restrictions	6,440	(6,440)	-	-
Total Revenues and Other Support	<u>1,250,240</u>	<u>-</u>	<u>1,250,240</u>	<u>1,332,783</u>
Expenses				
Program expenses	1,147,222	-	1,147,222	1,129,414
Supporting expenses				
General and administrative	47,390	-	47,390	46,460
Fundraising	91,457	-	91,457	100,453
Total supporting expenses	<u>138,847</u>	<u>-</u>	<u>138,847</u>	<u>146,913</u>
Total Expenses	<u>1,286,068</u>	<u>-</u>	<u>1,286,068</u>	<u>1,276,327</u>
Change in net assets from operations	(35,828)	-	(35,828)	56,456
Net Assets, Beginning of Year	<u>648,789</u>	<u>-</u>	<u>648,789</u>	<u>592,333</u>
Net Assets, End of Year	<u>\$ 612,961</u>	<u>\$ -</u>	<u>\$ 612,961</u>	<u>\$ 648,789</u>

Skylark Clinic, Inc.
d/b/a Skylark
Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Operational Activities		
Change in net assets	\$ (35,828)	\$ 56,456
Adjustments to reconcile changes in net assets to net cash provided for operating activities		
Depreciation expense	55,477	54,132
(Increase) / decrease in inventory	2,560	22,767
(Increase) / decrease in prepaid expenses	(2,154)	(3,614)
(Increase) / decrease in refundable deposits	(2,625)	-
Increase / (decrease) in accounts payable	6,756	(1,670)
Increase / (decrease) in accrued expenses	1,831	(4,275)
Net cash provided (used) by operating activities	26,016	123,796
Investing Activities		
Purchase of fixed assets	(35,666)	(28,746)
Donated property held for sale	9,898	(4,553)
Net cash provided (used) by investing activities	(25,768)	(33,299)
Net Increase (Decrease) in Cash and Cash Equivalents	248	90,497
Cash and Cash Equivalents, Beginning of Year	100,125	9,628
Cash and Cash Equivalents, End of Year	\$ 100,373	\$ 100,125

Skylark Clinic, Inc.
d/b/a Skylark
Statements of Functional Expenses
For the Year Ended December 31, 2019
(with summarized comparative information for 2018)

	Program Services	Supporting Services		Total Supporting Expenses	Total	2018
		General & Administration	Fundraising			
Abstinence education expense	\$ 12,890	-	\$ -	\$ -	\$ 12,890	\$ 16,219
Advertising expense	9,900	412	-	412	10,312	17,559
Bank and credit card charges	7,207	300	-	300	7,507	6,314
Banquet and fundraising expenses	-	-	91,457	91,457	91,457	100,453
Benevolence - Clients	282,778	11,782	-	11,782	294,560	325,092
Conferences and seminars	8,937	372	-	372	9,309	3,902
Dues and subscriptions	2,070	86	-	86	2,156	2,290
Educational literature	4,359	182	-	182	4,541	1,082
Employee benefits	15,283	637	-	637	15,920	13,108
Food and entertainment	510	21	-	21	531	176
Fuel expense	7,212	300	-	300	7,512	5,583
Insurance expense	16,923	705	-	705	17,628	17,948
Legal and professional expense	10,149	423	-	423	10,572	11,645
Office expense	20,057	964	-	964	21,021	22,271
Post-abortion counseling	96	4	-	4	100	73
Postage expense	9,682	403	-	403	10,085	8,986
Pregnancy tests expense	898	37	-	37	935	912
Public education expense	2,162	90	-	90	2,252	2,641
Rent expense	27,168	1,132	-	1,132	28,300	19,200
Repairs and maintenance	26,204	1,092	-	1,092	27,296	16,497
Salaries and wages	533,855	22,244	-	22,244	556,099	533,515
Payroll taxes	40,826	1,701	-	1,701	42,527	41,200
Medical supplies	10,236	427	-	427	10,663	7,417
Taxes and licenses	5,234	218	-	218	5,452	5,270
Telephone expense	11,350	473	-	473	11,823	13,346
Training expense	604	25	-	25	629	2,804
Travel expense	2,390	100	-	100	2,490	1,221
Utilities expense	19,788	824	-	824	20,612	20,676
Volunteer expense	5,195	216	-	216	5,411	4,795
	<u>1,093,964</u>	<u>45,171</u>	<u>91,457</u>	<u>136,628</u>	<u>1,230,591</u>	<u>1,222,195</u>
Depreciation expense	53,258	2,219	-	2,219	55,477	54,132
Total expenses	<u>\$ 1,147,222</u>	<u>47,390</u>	<u>\$ 91,457</u>	<u>\$ 138,847</u>	<u>\$ 1,286,068</u>	<u>\$ 1,276,327</u>

Skylark Clinic, Inc.
Doing Business As Skylark
Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

Skylark Clinic, Inc. (Skylark) operates as an extension of the local church as an outreach of Christian ministry. Skylark is committed to meeting the spiritual, emotional and physical needs of women with pregnancy-related concerns, without cost to the clients. Skylark was formed in Brunswick, Georgia in 1992 and is dependent upon the generous support of individuals and organizations. Satellite centers were opened in Jesup, Georgia in October of 1999, and in Kingsland, Georgia in 2003.

In October of 2017, the Board of Directors chose to adopt a new trade name for Skylark that would be more culturally acceptable and enable Skylark to reach more clients. The trade name is Skylark, A Sexual Health + Care Clinic. Also in 2017 Skylark added a mobile medical unit to serve in areas throughout Southeast Georgia.

Income Taxes

Skylark is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. Skylark files informational returns in the U.S. federal jurisdiction and one state jurisdiction. Skylark uses a calendar year for tax reporting. Skylark is generally no longer subject to federal or state tax audits for years before 2011. Interest and penalties are expensed as incurred. There were no interest and penalties charged to expense for the tax years ended December 31, 2019 and 2018.

Basis of Accounting

Skylark prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles and reflects all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board and its Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, Skylark is required to report information regarding its net assets and changes in net assets in two classes, which are based upon the existence or absence of restrictions on use that are placed by its donors. These classes are as follows:

Without donor restrictions: The portion of net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Skylark Clinic, Inc.
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With donor restrictions: The portion of net assets whose use is subject to donor-imposed restrictions.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Cash and cash equivalents: For financial statement purposes, all unrestricted instruments with original maturities of three months or less are considered cash equivalents. Skylark had no cash equivalents as of December 31, 2019 and 2018.

Contributions: Skylark accounts for contributions in accordance with the Financial Accounting Standards Board ASC 958, *Not-for-Profit Entities* and ASC 310, *Receivables*. The contributions received are recorded as net assets with or without donor restrictions, depending on the existence or nature of any donor restrictions. Contributions of donated noncash assets are recorded at their fair values in the period received.

All donor restricted support is reported as an increase in net assets with donor restrictions depending upon the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional allocation of expenses: The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Program services: Activities that result in services that fulfill the purpose or mission of the organization. Program services are the major purpose for and the major output of the organization.

Supporting services: Activities that are not identifiable with a specific program, fundraising activity, or program activity, but are indispensable to the organization.

General and administrative services: The general and administrative services include expenditures to secure proper administrative functioning, maintain the building, and manage the financial responsibilities of the organization.

Skylark Clinic, Inc.
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Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Fundraising: The fundraising service includes expenditures that encourage and secure financial support for the organization.

Concentrations

Credit risk: The organization maintains its cash in bank deposit accounts which, on occasion, may exceed federally insured limits. Management continually monitors the soundness of these financial institutions and believes the exposure to loss to be minimal.

Property and Equipment

Acquisitions of fixed assets in excess of \$500 are capitalized. Purchased property and equipment are stated at cost. Donated property and equipment are recorded at the estimated fair market value on the date received. Major repairs and improvements are capitalized and depreciated. The cost and accumulated depreciation of property retired, sold or disposed of are removed from the related accounts with any gain or loss credited or charged to income. Depreciation for buildings and improvements is calculated using the straight-line method. Depreciation for furniture and equipment is calculated on the 200 percent declining method over the estimated useful lives of the assets. Estimated useful lives are as follows:

<u>Type of Property</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	39 years
Furniture, Fixtures and Equipment	3-7 years

Depreciation expense recognized for the years ended December 31, 2019 and 2018 was \$55,477 and \$54,312 respectively.

Donated Facilities, Services and Materials

Skylark receives a significant amount of donated services from unpaid volunteers who provide counseling and monitor the hotline. No amounts have been recognized in the statement of activities because the criteria for recognition of such volunteer effort under Financial Accounting Standard Board ARC 958, *Not-for-Profit Entities*, have not been satisfied.

Beginning with the fiscal year ended September 30, 2008, Skylark adopted a means of accounting for donated material that are subsequently given to clients, such as diapers, children's clothing and furniture. A physical inventory of donated goods is maintained and valued based upon thrift store prices. Items received are recorded as in-kind donations (noncash donations) and items given to clients are recorded as benevolence-clients. In February 2019, Skylark sold a 2001 Mazda MPV valued at \$2,195 when received in 2019 for \$1,700. A loss of \$495 was recognized. In March 2019, Skylark

Skylark Clinic, Inc.
Doing Business As Skylark
Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

sold 3 one ounce gold eagle coins valued at \$3,903 when received in 2018 for \$3,900. A loss of \$3 was recognized. In September 2019, Skylark sold a 1969 Chevrolet Truck and a 1969 Chevrolet Truck Body valued at \$5,995 when received in 2018 for \$2,500. A loss of \$3,495 was recognized. In September 2019, Skylark sold a 2005 Dodge Grand Caravan valued at \$2,995 when received in 2019 for \$2,995. All non-cash donations were properly recorded when received in 2019.

Recent Accounting Pronouncements

The Financial Accounting Standards Board issued Update No. 2016-14 to ASC Topic 958, *Not-for-Profit Entities* in August of 2016. The main provisions of this update changed the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two classes: net assets with donor restrictions and net assets without donor restrictions. The update also enhanced disclosures in regards to governing board designations, liquidity of financial assets to meet cash needs for general expenditures within one year of the balance sheet date as well as disclosing expenses by both their natural classification and their functional classification. The changes mentioned above only highlight a portion of the changes in the amendment. It is recommended that the amendment is reviewed in its entirety. View Update No. 2016-14 by visiting the FASB website at fasb.org.

Note 2 – Operating Leases

Skylark leases two of the satellite offices in Jesup, Georgia and Kingsland, Georgia. The St. Mary’s location has a new address and entered into a lease agreement with James J. Lassiter on July 22, 2019. The lease period ends on October 1, 2024. Stipulations of this lease includes contributions to Skylark by Mr. Lassiter of \$500 per month for the first 24 months, \$250 per month for the next 24 months and no contributions in the final year. The lease for the Jesup location is renewed on an annual basis. The minimum annual payments for lease obligations are displayed below for the next five years:

2020	\$49,200
2021	49,200
2022	49,200
2023	49,200
2024 and after	44,200
Total	<u>\$241,000</u>

Skylark leases various copiers and printers for business usage. These lease agreements are renewed on an annual basis and are typically paid in full upon renewal. Prepaid expenses for these agreements have been accrued.

Note 3 – Retirement Plan

Skylark Clinic, Inc.
Doing Business As Skylark
Notes to Financial Statements
For the Years Ended December 31, 2019 and 2018

Skylark participates in a SIMPLE IRA plan. Employees employed for 90 days and at least 28 hours a week are eligible to participate in the plan. Skylark matches employee contributions up to 3%. All employees participating are 100% vested in the plan. As of December 31, 2019 and 2018, Skylark paid \$15,920 and \$13,108, respectively, in employer matching expense.

Note 4 – Liquidity and Availability of Assets

The organization has \$100,373 of financial assets available within 1 year of December 31, 2019 to meet cash needs for general expenditure consisting of cash of \$100,373. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of December 31, 2019.

Note 5 -Subsequent Events

Skylark's date for evaluating the existence of subsequent events that would affect the financial statements for the year ended December 31, 2019, was February 28, 2020 which was the date the financial statements were issued.