

FIRST IMAGE

FINANCIAL STATEMENTS

Years Ended June 30, 2021 and 2020



KERN  THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FIRST IMAGE
FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
First Image
Portland, Oregon

We have audited the accompanying financial statements of First Image (a non-profit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 First Image as of June 30, 2021 and 2020, 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.

KERN & THOMPSON, LLC

Portland, Oregon
November 8, 2021

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STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,145,990	\$ 748,034
Pledges receivable - net	16,735	12,526
Prepaid expenses and deposits	<u>18,547</u>	<u>8,519</u>
	1,181,272	769,079
Property and equipment - net	<u>46,942</u>	<u>42,332</u>
Total assets	\$ <u>1,228,214</u>	\$ <u>811,411</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 23,761	\$ 17,974
Accrued payroll and related expenses	64,400	64,681
Refundable advance - PPP	<u>194,200</u>	<u>194,200</u>
Total liabilities	<u>282,361</u>	<u>276,855</u>
Net assets		
Without donor restrictions	929,118	522,030
With donor restrictions	<u>16,735</u>	<u>12,526</u>
Total net assets	<u>945,853</u>	<u>534,556</u>
Total liabilities and net assets	\$ <u>1,228,214</u>	\$ <u>811,411</u>

See notes to financial statements.

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STATEMENTS OF ACTIVITIES

Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and other revenues						
Contributions	\$ 2,018,063	\$ 16,735	\$ 2,034,798	\$ 1,828,579	\$ 12,526	\$ 1,841,105
Contributed services	67,786	-	67,786	132,721	-	132,721
Contributed materials	302,694	-	302,694	215,144	-	215,144
United Way designated giving	70,720	-	70,720	52,487	-	52,487
Interest and other income	3,632	-	3,632	3,760	-	3,760
	<u>2,462,895</u>	<u>16,735</u>	<u>2,479,630</u>	<u>2,232,691</u>	<u>12,526</u>	<u>2,245,217</u>
Net assets released from restrictions	<u>12,526</u>	<u>(12,526)</u>	<u>-</u>	<u>33,650</u>	<u>(33,650)</u>	<u>-</u>
Total public support and other revenues	<u>2,475,421</u>	<u>4,209</u>	<u>2,479,630</u>	<u>2,266,341</u>	<u>(21,124)</u>	<u>2,245,217</u>
Expenses						
Client services	1,407,715	-	1,407,715	1,355,701	-	1,355,701
Administration	193,715	-	193,715	159,186	-	159,186
Development	466,903	-	466,903	481,117	-	481,117
Total expenses	<u>2,068,333</u>	<u>-</u>	<u>2,068,333</u>	<u>1,996,004</u>	<u>-</u>	<u>1,996,004</u>
Change in net assets	407,088	4,209	411,297	270,337	(21,124)	249,213
Net assets, beginning of year	<u>522,030</u>	<u>12,526</u>	<u>534,556</u>	<u>251,693</u>	<u>33,650</u>	<u>285,343</u>
Net assets, end of year	<u>\$ 929,118</u>	<u>\$ 16,735</u>	<u>\$ 945,853</u>	<u>\$ 522,030</u>	<u>\$ 12,526</u>	<u>\$ 534,556</u>

See notes to financial statements.

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STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2021 and 2020

	2021				2020			
	Client Services	Administration	Development	Total	Client Services	Administration	Development	Total
Salaries	\$ 643,561	\$ 94,146	\$ 270,307	\$ 1,008,014	\$ 634,694	\$ 78,127	\$ 265,787	\$ 978,608
Payroll taxes	49,351	7,260	20,700	77,311	48,054	6,003	20,320	74,377
Benefits	27,401	7,609	14,053	49,063	12,631	7,025	12,158	31,814
Occupancy	140,085	16,521	14,436	171,042	146,934	18,603	23,915	189,452
Advertising	37,369	-	1,059	38,428	29,522	-	1,269	30,791
Postage	390	261	11,485	12,136	307	1,132	12,090	13,529
Supplies	19,362	14,457	11,472	45,291	23,153	2,642	33,052	58,847
Telephone	12,852	1,703	3,290	17,845	12,449	1,629	3,364	17,442
Printing and publication	200	783	28,663	29,646	1,775	46	22,833	24,654
Depreciation	23,708	-	-	23,708	26,783	-	-	26,783
Equipment rental and maintenance	15,191	4,970	5,866	26,027	17,002	1,524	5,728	24,254
Insurance	9,286	935	2,073	12,294	5,556	515	1,141	7,212
Miscellaneous	15,283	24,965	33,727	73,975	11,418	14,190	31,570	57,178
Professional fees	32,484	18,357	48,923	99,764	26,165	23,169	44,728	94,062
Conferences and education	9,573	1,256	80	10,909	6,976	3,094	235	10,305
Travel	1,139	492	769	2,400	4,417	1,487	2,927	8,831
Contributed services	67,786	-	-	67,786	132,721	-	-	132,721
Contributed materials	302,694	-	-	302,694	215,144	-	-	215,144
	\$ 1,407,715	\$ 193,715	\$ 466,903	\$ 2,068,333	\$ 1,355,701	\$ 159,186	\$ 481,117	\$ 1,996,004
Percentages	68%	9%	23%	100%	68%	8%	24%	100%

See notes to financial statements.

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STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 411,297	\$ 249,213
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Depreciation	23,708	26,783
Changes in non-cash current assets and liabilities:		
Pledges receivable	(4,209)	14,424
Prepaid expenses and deposits	(10,028)	4,154
Accounts payable and accrued liabilities	5,506	2,772
Refundable advance - PPP	-	194,200
Net cash provided by (used in) operating activities	<u>426,274</u>	<u>491,546</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(28,318)</u>	<u>(7,911)</u>
Net change in cash and cash equivalents	397,956	483,635
Cash and cash equivalents, beginning of year	<u>748,034</u>	<u>264,399</u>
Cash and cash equivalents, end of year	<u>\$ 1,145,990</u>	<u>\$ 748,034</u>

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A – DESCRIPTION OF ORGANIZATION

First Image dba Pregnancy Resource Centers (the Organization) was formed as a not-for-profit organization incorporated in the State of Oregon in 1983. The Organization's mission is "To empower individuals to make life-affirming choices by providing education, compassionate counsel, services and support based on the ministry of Jesus Christ." The Organization provides service through three centers which are located in Multnomah and Washington counties. All services are provided free of charge. The principal sources of revenue are contributions.

The Organization's programs are described as follows:

- **Pregnancy Resource Centers** – The Organization operates three centers throughout the Portland area, helping women and teens who are unprepared for pregnancy and helping to meet their emotional, physical, and spiritual needs, enabling them to choose life. The Organization makes short-term and long-term solutions available to counter the epidemic of unplanned pregnancies, especially among adolescents, providing appropriate services in time of crisis, and educational programs aimed at prevention. Free ultrasound exams are available to all abortion-vulnerable clients in all four locations.
- **HEART Program** – HEART (Healing Encouragement for Abortion-Related Trauma) groups provide an opportunity for healing and restoration to those who have been affected by abortion. HEART equips local churches to facilitate this Biblically-based study for women and men.
- **The Reality Project** – The Program conducts education service that presents sexual integrity as a positive lifestyle for singles and gives presentation in public schools, private schools, at community groups and to church youth and parent groups. The program ended June, 30, 2021.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as increases in net assets without donor restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor 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 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 revenues and expenses during the reporting period. Actual results could differ from those estimates and may impact future periods.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with a maturity date of three months or less from the date of purchase to be cash equivalents.

Receivables

Pledges and grants receivable are recorded at amounts expected by management to be collected, based on historical experience and economic conditions. Grants received with specific purposes are classified as net assets with donor restrictions. Pledges receivable are typically due in less than one year and are classified as net assets with donor restrictions for timing. Pledges due beyond one year are not material. Pledges receivable are recorded at their net realizable value which reflects reductions for estimated uncollectible

Property and Equipment

Property and equipment acquired through purchase is recorded at cost, while those received as donations are recorded at their fair market value at the date of donation. The Organization capitalizes all assets with a cost or value over \$1,500. Maintenance and repairs are charged to expense as incurred.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Property and Equipment (Continued)

Depreciation is computed using the straight-line method over the estimated useful lives, generally three or five years. For leasehold improvements, depreciation is taken over the shorter of the estimated useful life or the lease term. Depreciation expense was \$23,708 and \$26,783 for the years ended June 30, 2021 and 2020, respectively.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the Statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort.

Income Taxes

The Organization has been approved as a tax-exempt organization under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

Donated Services

The Organization recognizes donated services which create or enhance non-financial assets or that require specialized skills, provided by individuals possessing those skills, which would typically need to be purchased if not provided by donation. For 2021 and 2020, these services were mostly from counselors and medical professionals. Volunteers also provide administrative and fundraising services throughout the year that are not recognized in the financial statements since the recognition criteria for contributed services are not met. Total contributed services received but not recognized as revenues were \$25,909 and \$26,868 for the years ended June 30, 2021 and 2020, respectively.

Contributed Materials

The Organization receives contributions of clothing, supplies, and materials. These contributions represent a significant portion of the Organization's operations, and are reflected as contributed materials at their estimated fair market values.

Compensated Absences

Vacation benefits are accrued as earned and are included in payroll related liabilities. Sick time does not vest and is therefore expensed as used.

Advertising Costs

The Organization expenses advertising and fundraising costs as they are incurred. Advertising costs were \$38,428 and \$30,791 for the years ended June 30, 2021 and 2020, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Office equipment and furnishings	\$ 138,855	\$ 144,732
Leasehold improvements	-	5,464
Construction in progress	<u>26,674</u>	<u>-</u>
	165,529	150,196
Less accumulated depreciation	<u>(118,587)</u>	<u>(107,864)</u>
Net property and equipment	<u>\$ 46,942</u>	<u>\$ 42,332</u>

NOTE D – RESTRICTIONS ON NET ASSETS

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions:

	<u>2021</u>	<u>2020</u>
Subject to time restrictions:		
Pledges receivable	\$ <u>16,735</u>	\$ <u>12,526</u>
	<u>\$ 16,735</u>	<u>\$ 12,526</u>

Changes in net assets with donor restrictions for the years ended June 30 consists of the following:

	<u>2021</u>	<u>2020</u>
Pledges receivable (for timing)	\$ <u>16,735</u>	\$ <u>12,526</u>
Total restricted contributions	<u>16,735</u>	<u>12,526</u>
Restricted releases (for purpose)		
Grants receivable	-	(6,700)
Pledges receivable (for timing)	<u>(12,526)</u>	<u>(26,950)</u>
Total restricted releases	<u>(12,526)</u>	<u>(33,650)</u>
Net change in restricted activity	<u>\$ 4,209</u>	<u>\$ (21,124)</u>

NOTE E – REVOLVING LINE OF CREDIT

First Image maintains a line of credit with KeyBank National Association. The \$50,000 credit limit is unsecured, and bears interest at a rate based on the prime rate plus 3.19%. No amounts were borrowed as of June 30, 2021 and 2020, respectively.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE F – REFUNDABLE ADVANCE (PAYCHECK PROTECTION PROGRAM LOAN)

On April 23, 2020, the Organization received a Paycheck Protection Program (PPP) forgivable loan for \$194,200. PPP loans are funded by the Small Business Administration and may be forgiven if used to cover salaries and other personnel costs, facility rent, and communications expenses. Under guidance of Accounting Standards Codification (ASC) 958-605, the PPP loan represents, in substance, a conditional grant and was therefore recorded as a refundable advance on the 2020 statement of financial position. The Organization complied with all forgiveness criteria and the loan was forgiven on August 10, 2021. Accordingly, the PPP was subsequently recognized as unrestricted grant revenue.

NOTE G – RETIREMENT SAVINGS PLAN

The Organization maintains a 403(b) retirement savings for the benefit of its employees. Under the plan, all employees are eligible to participate and employees who work 25 hours or more per week are eligible for employer matching contributions. At the discretion of the Board of Directors, employer matching contributions are made at a rate of 100% of the first 1%-3% of eligible employee contribution. Contributions by the Organization to this plan were \$8,975 for the year ended June 30, 2021 and \$0 for 2020.

NOTE H – OPERATING LEASES

The Organization leases its headquarters and three centers under various operating lease agreements. The rates range from \$2,050 to \$4,103 per month with lease periods of generally three to five years and contain various renewal options. The Organization is responsible for most of the utilities and other occupancy costs. Rental expense was \$159,597 and \$174,406 for the years ended June 30, 2021 and 2020, respectively. The Organization also leases office equipment under a long-term contract for \$1,223 per month which expires June 2022.

Future commitments under non-cancelable leases are as follows:

Year Ending June 30,	Office	Resource Centers	Equipment	Total
2022	\$ 42,000	\$ 105,682	\$ 13,008	\$ 160,690
2023	42,000	65,367	3,798	111,165
2024	3,500	66,489	3,798	73,787
2025	-	39,633	1,899	41,532
	<u>\$ 87,500</u>	<u>\$ 277,171</u>	<u>\$ 22,503</u>	<u>\$ 387,174</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE I – CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Organization to credit risk consist of cash and pledges receivable. The Organization's cash balances are with reputable FDIC member banks and periodically exceed insured limits. The Organization's pledges receivable are from individuals and businesses located in the Portland metropolitan area. Pledges receivable, which are determined to be collectible or uncollectible based on an assessment by management of the facts and circumstances related to individual accounts, are not collateralized and have been adjusted for all known doubtful accounts.

NOTE J – RELATED PARTY ACTIVITY

During the years ended June 30, 2021 and 2020, the Organization received contributions of approximately \$50,000 and \$49,000, respectively, from various Board members and employees.

NOTE K – LIQUIDITY

The following chart represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2021:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,145,990	\$ 748,034
Pledges receivable - net	<u>16,735</u>	<u>12,526</u>
Total financial assets	<u>1,162,725</u>	<u>760,560</u>
Less those unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restriction	<u>16,735</u>	<u>12,526</u>
Total unavailable financial assets	<u>16,735</u>	<u>12,526</u>
Financial assets available to general expenditures within one year	<u>\$ 1,145,990</u>	<u>\$ 748,034</u>

As part of its liquidity management, the Organization structures its financial assets to be available as obligations come due.

NOTE L – UNCERTAINTY

Beginning in March 2020, an outbreak of a coronavirus necessitated that many employees work from home and provided for social distancing measure. The effects of these events may continue for some time, including disruptions to or restrictions on employees' ability to work and on the ability of funders and members to fully participate in programs and continue their current level of financial support to the Organization. At the present time, the ultimate future effects of these issues are unknown.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE M – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 8, 2021, which is the date the financial statements were available to be issued.