

FIRST IMAGE

FINANCIAL STATEMENTS

Years Ended June 30, 2022 and 2021



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FIRST IMAGE
FINANCIAL STATEMENTS
Years Ended June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
First Image
Portland, Oregon

Opinion

We have audited the accompanying financial statements of First Image (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 First Image as of June 30, 2022 and 2021, and the changes in 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 First Image and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 First Image's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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, including omissions, 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.

To the Board of Directors
First Image

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 First Image'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 First Image'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.

KERN THOMPSON, LLC

Portland, Oregon
November 14, 2022

FIRST IMAGE
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

ASSETS

	2022	2021
Cash and cash equivalents	\$ 1,487,216	\$ 1,145,990
Pledges receivable - net	22,725	16,735
Prepaid expenses and deposits	20,120	18,547
	1,530,061	1,181,272
 Property and equipment - net	 203,640	 46,942
 Total assets	 \$ 1,733,701	 \$ 1,228,214

LIABILITIES AND NET ASSETS

Accounts payable	\$ 37,456	\$ 23,761
Accrued payroll and related expenses	58,787	64,400
Refundable advance - PPP	-	194,200
Total liabilities	96,243	282,361
 Net assets		
Without donor restrictions	1,614,733	929,118
With donor restrictions	22,725	16,735
Total net assets	1,637,458	945,853
 Total liabilities and net assets	 \$ 1,733,701	 \$ 1,228,214

See notes to financial statements.

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STATEMENTS OF ACTIVITIES

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and other revenues						
Contributions	\$ 2,637,913	\$ 22,725	\$ 2,660,638	\$ 2,018,063	\$ 16,735	\$ 2,034,798
Contributed services	73,379	-	73,379	67,786	-	67,786
Contributed materials	265,388	-	265,388	302,694	-	302,694
United Way designated giving	86,997	-	86,997	70,720	-	70,720
Interest and other income	13,787	-	13,787	3,632	-	3,632
	<u>3,077,464</u>	<u>22,725</u>	<u>3,100,189</u>	<u>2,462,895</u>	<u>16,735</u>	<u>2,479,630</u>
Net assets released from restrictions	16,735	(16,735)	-	12,526	(12,526)	-
Total public support and other revenues	<u>3,094,199</u>	<u>5,990</u>	<u>3,100,189</u>	<u>2,475,421</u>	<u>4,209</u>	<u>2,479,630</u>
Expenses						
Client services	1,574,823	-	1,574,823	1,407,715	-	1,407,715
Administration	248,900	-	248,900	193,715	-	193,715
Development	584,861	-	584,861	466,903	-	466,903
Total expenses	<u>2,408,584</u>	<u>-</u>	<u>2,408,584</u>	<u>2,068,333</u>	<u>-</u>	<u>2,068,333</u>
Change in net assets	685,615	5,990	691,605	407,088	4,209	411,297
Net assets, beginning 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>
Net assets, end of year	<u>\$ 1,614,733</u>	<u>\$ 22,725</u>	<u>\$ 1,637,458</u>	<u>\$ 929,118</u>	<u>\$ 16,735</u>	<u>\$ 945,853</u>

See notes to financial statements.

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STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2022 and 2021

	2022				2021			
	Client Services	Administration	Development	Total	Client Services	Administration	Development	Total
Salaries	\$ 693,490	120,309	297,980	\$ 1,111,779	\$ 643,561	\$ 94,146	\$ 270,307	\$ 1,008,014
Payroll taxes	53,719	9,499	22,887	86,105	49,351	7,260	20,700	77,311
Benefits	66,006	10,265	26,234	102,505	27,401	7,609	14,053	49,063
Occupancy	152,961	16,267	20,984	190,212	140,085	16,521	14,436	171,042
Advertising	36,224	476	1,045	37,745	37,369	-	1,059	38,428
Postage	277	852	9,730	10,859	390	261	11,485	12,136
Supplies	50,936	13,122	54,432	118,490	19,362	14,457	11,472	45,291
Telephone	13,342	1,947	3,766	19,055	12,852	1,703	3,290	17,845
Printing and publication	1,812	15	29,305	31,132	200	783	28,663	29,646
Depreciation	32,106	-	-	32,106	23,708	-	-	23,708
Equipment rental and maintenance	43,430	1,437	8,188	53,055	15,191	4,970	5,866	26,027
Insurance	10,244	1,444	2,408	14,096	9,286	935	2,073	12,294
Miscellaneous	38,221	49,151	41,219	128,591	15,283	24,965	33,727	73,975
Professional fees	36,478	16,661	62,932	116,071	32,484	18,357	48,923	99,764
Conferences and education	4,000	4,951	890	9,841	9,573	1,256	80	10,909
Travel	2,810	2,504	2,861	8,175	1,139	492	769	2,400
Contributed services	73,379	-	-	73,379	67,786	-	-	67,786
Contributed materials	265,388	-	-	265,388	302,694	-	-	302,694
	<u>\$ 1,574,823</u>	<u>\$ 248,900</u>	<u>\$ 584,861</u>	<u>\$ 2,408,584</u>	<u>\$ 1,407,715</u>	<u>\$ 193,715</u>	<u>\$ 466,903</u>	<u>\$ 2,068,333</u>
Percentages	65%	10%	24%	100%	68%	9%	23%	100%

See notes to financial statements.

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STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 691,605	\$ 411,297
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Depreciation	32,106	23,708
Changes in non-cash current assets and liabilities:		
Pledges receivable	(5,990)	(4,209)
Prepaid expenses and deposits	(1,573)	(10,028)
Accounts payable and accrued liabilities	8,082	5,506
Refundable advance - PPP	(194,200)	-
Net cash provided by (used in) operating activities	530,030	426,274
Cash flows from investing activities:		
Purchase of property and equipment	(188,804)	(28,318)
Net change in cash and cash equivalents	341,226	397,956
Cash and cash equivalents, beginning of year	1,145,990	748,034
Cash and cash equivalents, end of year	\$ 1,487,216	\$ 1,145,990

See notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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.
- **Kindred Ministry** - Kindred is a ministry that serves those who've experienced the pain of pregnancy loss by providing a safe, nurturing environment to grieve and grow. This non-denominational ministry is Biblically grounded and led by women who are trained and passionate about seeing women experience spiritual and emotional healing.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Adoption of New Accounting Pronouncements

During the fiscal year ended June 30, 2022, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of the ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the not-for-profit. It is important to note that the ASU 2020-07 did not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements.

Basis of Accounting

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

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.

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Receivables

Pledges and grants receivable are recorded at amounts expected by management to be collected, based on historical experience and economic conditions. 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.

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 \$32,106 and \$23,708 for the years ended June 30, 2022 and 2021, 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.

Contributed Services and Materials

The Organization records various types of contributed services and materials. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible materials are recognized at fair value when received.

The Organization's policy related to gifts-in-kind is to utilize the assets received to carry out its mission. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value, donated to another charitable organization, returned to the donor, or discarded.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Contributed Services and Materials (Continued)

The amounts reflected in the accompanying financial statements as contributed services and materials are offset by like amounts included in expenses or additions to property and equipment.

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 \$37,745 and \$38,428 for the years ended June 30, 2022 and 2021, respectively.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2022</u>	<u>2021</u>
Office equipment and furnishings	\$ 176,605	\$ 138,855
Leasehold improvements	82,727	-
Construction in progress	-	26,674
	<u>259,332</u>	<u>165,529</u>
Less accumulated depreciation	<u>(55,692)</u>	<u>(118,587)</u>
Net property and equipment	<u>\$ 203,640</u>	<u>\$ 46,942</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>2022</u>	<u>2021</u>
Subject to time restrictions:		
Pledges receivable	\$ <u>22,725</u>	\$ <u>16,735</u>
	<u>\$ 22,725</u>	<u>\$ 16,735</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

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, 2022 and 2021, respectively.

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 recognized as unrestricted grant revenue for the year ended June 30, 2022.

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 50% of the first 6% of eligible employee contribution. Contributions by the Organization to this plan were \$23,264 for the year ended June 30, 2022 and \$8,975 for 2021.

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 \$168,522 and \$159,597 for the years ended June 30, 2022 and 2021, respectively.

Future commitments under non-cancelable leases are as follows:

June 30,	Office	Resource Centers	Equipment	Total
2023	\$ 42,000	\$ 138,369	\$ 3,798	\$ 184,167
2024	3,500	142,525	3,798	149,823
2025	-	146,795	1,899	148,694
2026	-	140,773	-	140,773
	\$ 45,500	\$ 568,462	\$ 9,495	\$ 623,457

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

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, 2022 and 2021, the Organization received contributions of approximately \$63,000 and \$50,000, 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, 2022:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 1,487,216	\$ 1,145,990
Pledges receivable - net	<u>22,725</u>	<u>16,735</u>
Total financial assets	<u>1,509,941</u>	<u>1,162,725</u>
Less those unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restriction	<u>22,725</u>	<u>16,735</u>
Total unavailable financial assets	<u>22,725</u>	<u>16,735</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,487,216</u>	<u>\$ 1,145,990</u>

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

NOTE L – IN-KIND CONTRIBUTIONS

The Organization receives donated services from volunteers with specialized clinical skills, as well as donated supplies and maternity items from the public. Without these non-financial donations, the Organization would not be able to provide services to the community. Donated services are valued at current market rates for professional services. Donated materials are valued at thrift-store prices.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022 and 2021

NOTE L – IN-KIND CONTRIBUTIONS (CONTINUED)

The Organization received donated services and materials for the years ended June 30 as follows:

	<u>2022</u>	<u>2021</u>
Services:		
Doctors	\$ 22,500	\$ 27,000
Counselors and assistants	36,984	10,482
Other healthcare professionals	<u>13,895</u>	<u>30,304</u>
Total contributed services	73,379	67,786
Supplies and materials	<u>265,388</u>	<u>302,694</u>
Total contributed services and materials	<u>\$ 338,767</u>	<u>\$ 370,480</u>

All gifts-in-kind received by the Organization for the years ended June 30, 2022 and 2021 were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

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 \$27,471 and \$25,909 for the years ended June 30, 2022 and 2021, respectively.

NOTE M – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 14, 2022, which is the date the financial statements were available to be issued.