

BIRTHRIGHT COUNSELING, ST. LOUIS

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

Birthright Counseling, St. Louis

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Birthright Counseling, St. Louis
St. Louis, Missouri

We have audited the accompanying financial statements of Birthright Counseling, St. Louis (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 Birthright Counseling, St. Louis as of December 31, 2016 and 2015, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



St. Louis, Missouri
August 3, 2017

FINANCIAL STATEMENTS

Birthright Counseling, St. Louis
STATEMENTS OF FINANCIAL POSITION

ASSETS		December 31,	
		2016	2015
CURRENT ASSETS			
Cash and cash equivalents		\$ 223,454	\$ 245,173
Contributions receivable		18,066	1,750
Prepaid expenses, deposits and other		9,941	11,151
Total Current Assets		251,461	258,074
LONG-TERM INVESTMENTS			
		828,951	698,362
ENDOWMENT INVESTMENTS			
		1,028,116	1,042,483
PROPERTY AND EQUIPMENT, NET			
		21,145	27,976
INTANGIBLE ASSETS, NET			
		21,000	38,200
TOTAL ASSETS		\$ 2,150,673	\$ 2,065,095
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 9,566	\$ 7,406
NET ASSETS			
Unrestricted		1,074,789	1,015,206
Unrestricted - Board designated		166,914	181,281
Temporarily restricted		339,553	301,351
Permanently restricted		559,851	559,851
Total Net Assets		2,141,107	2,057,689
TOTAL LIABILITIES AND NET ASSETS		\$ 2,150,673	\$ 2,065,095

See independent auditors' report and accompanying notes to financial statements

Birthright Counseling, St. Louis
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
PUBLIC SUPPORT - Contributions	<u>\$ 599,478</u>	<u>\$ 24,905</u>	<u>\$ -</u>	<u>\$ 624,383</u>
REVENUES				
Special events	360,500	13,297	-	373,797
Interest and dividend income (net of advisory fees of \$15,453 and \$16,097 for 2016 and 2015, respectively)	15,765	-	-	15,765
Net realized and unrealized gains (losses) on investments	21,072	-	-	21,072
Loss on disposal of property and equipment	(467)	-	-	(467)
 Total Revenues	 <u>396,870</u>	 <u>13,297</u>	 <u>-</u>	 <u>410,167</u>
 Total Public Support and Revenues	 <u>996,348</u>	 <u>38,202</u>	 <u>-</u>	 <u>1,034,550</u>
EXPENSES				
Program services	731,605	-	-	731,605
Administrative	84,995	-	-	84,995
Fundraising	134,532	-	-	134,532
 Total Expenses	 <u>951,132</u>	 <u>-</u>	 <u>-</u>	 <u>951,132</u>
 CHANGE IN NET ASSETS	 45,216	 38,202	 -	 83,418
NET ASSETS, Beginning of year	<u>1,196,487</u>	<u>301,351</u>	<u>559,851</u>	<u>2,057,689</u>
NET ASSETS, End of year	<u>\$ 1,241,703</u>	<u>\$ 339,553</u>	<u>\$ 559,851</u>	<u>\$ 2,141,107</u>

See independent auditors' report and accompanying notes to financial statements

Year Ended December 31, 2015

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 584,935	\$ -	\$ -	\$ 584,935
349,649	-	-	349,649
19,106	-	-	19,106
(89,585)	-	-	(89,585)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
279,170	-	-	279,170
<u>864,105</u>	<u>-</u>	<u>-</u>	<u>864,105</u>
704,432	-	-	704,432
86,314	-	-	86,314
<u>116,153</u>	<u>-</u>	<u>-</u>	<u>116,153</u>
<u>906,899</u>	<u>-</u>	<u>-</u>	<u>906,899</u>
(42,794)	-	-	(42,794)
<u>1,239,281</u>	<u>301,351</u>	<u>559,851</u>	<u>2,100,483</u>
<u>\$ 1,196,487</u>	<u>\$ 301,351</u>	<u>\$ 559,851</u>	<u>\$ 2,057,689</u>

Birthright Counseling, St. Louis
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2016			
	Program Services	Admini- strative	Fund- Raising	Total
Salaries	\$ 351,387	\$ 37,676	\$ 28,093	\$ 417,156
Payroll taxes	27,014	2,896	2,160	32,070
Benefits	9,024	967	721	10,712
	387,425	41,539	30,974	459,938
In-kind expense	106,635	-	-	106,635
Fundraising	-	-	103,558	103,558
Rent	68,391	15,013	-	83,404
Assistance to individuals	42,084	-	-	42,084
Office expense	31,418	3,491	-	34,909
Occupancy	25,126	2,792	-	27,918
Depreciation and amortization	13,536	13,537	-	27,073
Client outreach	22,271	-	-	22,271
Professional fees	13,279	6,541	-	19,820
Telephone	12,388	1,376	-	13,764
Conventions and memberships	3,613	402	-	4,015
Miscellaneous expense	2,734	304	-	3,038
Community outreach	2,705	-	-	2,705
Total Expenses	\$ 731,605	\$ 84,995	\$ 134,532	\$ 951,132

See independent auditors' report and accompanying notes to financial statements

Year Ended December 31, 2015

Program Services	Admini- strative	Fund- Raising	Total
\$ 315,270	\$ 46,554	\$ 19,152	\$ 380,976
25,631	2,758	1,023	29,412
-	-	-	-
340,901	49,312	20,175	410,388
95,472	-	-	95,472
-	-	92,688	92,688
69,619	15,282	-	84,901
46,390	-	-	46,390
25,915	2,880	-	28,795
21,611	2,401	-	24,012
9,293	9,293	-	18,586
62,515	-	3,290	65,805
10,093	4,971	-	15,064
11,191	1,243	-	12,434
4,842	538	-	5,380
3,543	394	-	3,937
3,047	-	-	3,047
<u>\$ 704,432</u>	<u>\$ 86,314</u>	<u>\$ 116,153</u>	<u>\$ 906,899</u>

Birthright Counseling, St. Louis
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 83,418	(\$ 42,794)
Adjustments to reconcile change in net assets to change in cash and cash equivalents from operating activities:		
Depreciation and amortization	27,073	18,586
Net realized and unrealized (gains) loss on investments	(21,072)	89,585
Loss on disposal of property and equipment	467	-
Donated securities received as contributions	(66,684)	(33,305)
Proceeds from sales of donated securities	66,684	33,305
(Increase) decrease in assets:		
Contributions receivable	(16,316)	(50)
Prepaid expenses, deposits and other	1,210	5,432
Increase (decrease) in liabilities:		
Accounts payable	<u>2,160</u>	<u>(14,826)</u>
 Net Change in Cash from Operating Activities	 <u>76,940</u>	 <u>55,933</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	685,073	675,069
Purchase of investments	(780,223)	(727,142)
Purchase of property and equipment	(3,509)	(7,139)
Purchase of intangible assets	<u>-</u>	<u>(45,840)</u>
 Net Change in Cash from Investing Activities	 <u>(98,659)</u>	 <u>(105,052)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 <u>(21,719)</u>	 <u>(49,119)</u>
 CASH AND CASH EQUIVALENTS, Beginning of Year	 <u>245,173</u>	 <u>294,292</u>
 CASH AND CASH EQUIVALENTS, End of Year	 <u>\$ 223,454</u>	 <u>\$ 245,173</u>
 SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>
 Cash paid during the year for income taxes	 <u>\$ -</u>	 <u>\$ -</u>

See independent auditors' report and accompanying notes to financial statements

Birthright Counseling, St. Louis
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Birthright Counseling, St. Louis (the "Organization"), a Missouri not-for-profit corporation, provides free pregnancy testing, professional counseling, follow-up, and clothing to women with untimely pregnancies. These financial statements include operations of four offices in the St. Louis area and the fundraising activities of Friends of Birthright, a fundraising arm of the organization. The Organization's support comes primarily from contributions from individuals.

Basis of Presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Under standards issued by that Board, the Organization is required to report information regarding financial position and activities according to three classes of net assets:

Unrestricted net assets – Unrestricted net assets are assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Temporarily restricted net assets are assets subject to donor-imposed restrictions that may be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Permanently restricted net assets – Permanently restricted net assets are assets subject to donor-imposed restrictions that are to be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the income earned on any related investments for general purposes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Birthright Counseling, St. Louis
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash and Cash Equivalents

For the purpose of the Statements of Cash Flows, the Organization considers cash equivalents to be all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Cash and short-term investments held in bank money market accounts are reported as investments instead of cash because the Organization holds those funds as an endowment. The Organization maintains cash deposits in bank accounts which at times may exceed federally insured limits of up to \$250,000. At December 31, 2016, cash, categorized as investments, held in Morgan Stanley Bank N.A. was in excess of federally insured limits by \$223,000.

Investment Valuation and Income Recognition

The Organization's investments are stated at fair value in the Statements of Financial Position, with all gains and losses included in the Statements of Activities. Donated investments are recorded at their fair value at the date of the gift. The Organization's policy is to liquidate donated investments as soon as possible after receipt.

Investments are made according to the investment policies adopted by the Organization's Board of Directors and the Board of Trustees of the Endowment. Realized and unrealized gains and losses are included in unrestricted investment return unless a donor stipulation or regulatory law temporarily or permanently restricts their use. Endowment income is considered board designated until appropriated for expenditure by the Board of Trustees.

Fair Value Measurement

The financial assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP.

GAAP establishes a hierarchy based on the quality of the inputs used to measure fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect management's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1—Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access and does not entail a significant degree of judgment.

Level 2—Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Birthright Counseling, St. Louis
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fair Value Measurement (Continued)

Level 3—Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

Property and Equipment

Property and equipment, stated at cost or fair market value if contributed, is depreciated using the straight-line method over the assets' estimated useful lives, ranging from 2 to 15 years. Maintenance, repairs, and minor renewals are expensed as incurred. Major renewals, replacements, and improvements are capitalized and depreciated over their estimated useful lives.

The Organization capitalizes all expenditures in excess of \$500 for property and equipment at cost. Contributed property and equipment is recorded at fair value at the date of donation.

Intangible Assets

Acquisitions of intangible assets are recorded at cost. Amortization is provided over the estimated useful life of each class of amortizable asset and is computed using the straight-line method over the estimated useful life.

Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Advertising

Advertising costs are expensed as incurred. Advertising expense incurred was \$22,271 and \$65,805 for the years ended December 31, 2016 and 2015, respectively, and is included in Client Outreach expenses.

Statements of Functional Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Birthright Counseling, St. Louis
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016 and 2015
 (Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Income Taxes

The Organization qualifies as a nonprofit organization and is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization does not have unrelated business income, excise taxes, or activities that would threaten the Organization's tax-exempt status. Accordingly, no provision for federal or state income taxes is provided.

The Organization files an information return, IRS Form 990. Tax years 2013 and later remain subject to examination by taxing authorities, generally for three years after the returns are filed. The Organization adopted the provisions relating to Accounting for Uncertainty in Income Taxes, and management is not aware of any uncertain tax positions of the Organization related to tax filings.

Reclassification

Certain prior year amounts have been reclassified to conform to current year presentation.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 3, 2017, the date the financial statements were available to be issued.

B. **INVESTMENTS**

Investments consist primarily of Morgan Stanley Smith Barney Funds and Equities and are carried at fair value. Fair values at December 31 are summarized as follows:

	2016	2015
Money funds	\$ 473,161	\$ 373,591
Mutual funds	487,525	526,559
Closed-end funds	247,770	46,448
Equities	648,611	794,247
Total Investments at Fair Value	\$1,857,067	\$1,740,845

Investments consist of the following at December 31:

	2016	2015
Long-term investments	\$ 828,951	\$ 698,362
Endowment investments	1,028,116	1,042,483
	\$1,857,067	\$1,740,845

Birthright Counseling, St. Louis
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016 and 2015
 (Continued)

B. INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended December 31:

	2016	2015
Interest and dividend income	\$31,218	\$35,203
Advisory fees	(15,453)	(16,097)
Net realized (losses) gains	(41,790)	13,029
Net unrealized gains (losses)	62,862	(102,614)
	\$36,837	(\$ 70,479)

C. ENDOWMENT FUND

The Endowment Fund consists of donor-restricted funds and Board designated funds established to build financial support for the future needs of the Organization in order to ensure “the right of every pregnant woman to give birth and the right of every child to be born.” As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Missouri Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of donor restricted endowments, absent explicit donor stipulations to the contrary, at the greater of the fair value of the original gifts as of the gift date. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made according to the directive in the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence described by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic condition, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

Birthright Counseling, St. Louis
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016 and 2015
 (Continued)

C. **ENDOWMENT FUND** (Continued)

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, approved by the third party trustee, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return. Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund, investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization has a policy of analyzing the appropriate amount for the upcoming year's distribution within ninety days of the current year end. In establishing this policy, the Organization considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, all of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$301,351	\$559,851	\$ 861,202
Board-designated funds	166,914	-	-	166,914
Total Funds	<u>\$166,914</u>	<u>\$301,351</u>	<u>\$559,851</u>	<u>\$1,028,116</u>

Endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$301,351	\$559,851	\$ 861,202
Board-designated funds	181,281	-	-	181,281
Total Funds	<u>\$181,281</u>	<u>\$301,351</u>	<u>\$559,851</u>	<u>\$1,042,483</u>

Birthright Counseling, St. Louis
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

C. **ENDOWMENT FUND** (Continued)

Changes in endowment net assets as of December 31, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment return:				
Investment income, net of fees	\$11,128	\$ -	\$ -	\$11,128
Net appreciation (realized and unrealized)	19,972	-	-	19,972
Total Investment Return	31,100	-	-	31,100
Contributions	-	-	-	-
Appropriated for operations	(45,467)	-	-	(45,467)
Total Change in Endowment Funds	<u>(\$14,367)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$14,367)</u>

Changes in endowment net assets as of December 31, 2015 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Investment return:				
Investment income, net of fees	\$14,652	\$ -	\$ -	\$14,652
Net depreciation (realized and unrealized)	(66,986)	-	-	(66,986)
Total Investment Return	(52,334)	-	-	(52,334)
Contributions	-	-	-	-
Appropriated for operations	(44,689)	-	-	(44,689)
Total Change in Endowment Funds	<u>(\$97,023)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$97,023)</u>

Birthright Counseling, St. Louis
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

D. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2016</u>				
Money funds	\$ 473,161	\$ 473,161	\$ -	\$ -
Mutual funds	487,525	487,525	-	-
Closed-end funds	247,770	247,770	-	-
Equities	648,611	648,611	-	-
Total	\$1,857,067	\$1,857,067	\$ -	\$ -
<u>December 31, 2015</u>				
Money funds	\$ 373,591	\$ 373,591	\$ -	\$ -
Mutual funds	526,559	526,559	-	-
Closed-end funds	46,448	46,448	-	-
Equities	794,247	794,247	-	-
Total	\$1,740,845	\$1,740,845	\$ -	\$ -

E. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consist of the following:

	2016	2015
Furniture and fixtures	\$42,143	\$45,138
Computer equipment	27,955	31,608
Building sign	3,509	-
Leasehold improvements	13,820	14,764
	87,427	91,510
Less accumulated depreciation	(66,282)	(63,534)
Total Property and Equipment, Net	\$21,145	\$27,976

Depreciation expense totaled \$13,713 and \$10,946 for the years ended December 31, 2016 and 2015, respectively.

Birthright Counseling, St. Louis
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015
(Continued)

F. INTANGIBLE ASSETS

Intangible assets at December 31 consist of the following:

	Weighted Average <u>Useful Life</u>	Carrying <u>Amount</u>	Accumulated <u>Amortization</u>	Net Carrying <u>Amount</u>
<u>December 31, 2016</u>				
Website development	3	\$18,000	\$ 9,000	\$ 9,000
Branding	3	12,000	6,000	6,000
Education training videos	3	12,000	6,000	6,000
Total Intangible Assets, Net		<u>\$42,000</u>	<u>\$21,000</u>	<u>\$21,000</u>

	Weighted Average <u>Useful Life</u>	Carrying <u>Amount</u>	Accumulated <u>Amortization</u>	Net Carrying <u>Amount</u>
<u>December 31, 2015</u>				
Website development	3	\$18,000	\$3,000	\$15,000
Branding	3	15,840	2,640	13,200
Education training videos	3	12,000	2,000	10,000
Total Intangible Assets, Net		<u>\$45,840</u>	<u>\$7,640</u>	<u>\$38,200</u>

Amortization expense totaled \$13,360 and \$7,640 for the years ended December 31, 2016 and December 31, 2015, respectively.

G. IN-KIND DONATIONS

Donated Services – Donated services are recognized as revenue at their estimated fair values when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. During the years ended December 31, 2016 and 2015, donated volunteer service included trained hotline volunteer hours with estimated fair values of \$95,993 and \$81,282, respectively.

Donated Rent – The Organization leased the space for its South County location at no cost until it moved to the Lemay Ferry location in October 2016. The lease is recorded as an in-kind contribution and as rent expense. The amount attributed to the in-kind rent is the fair value which the Organization would pay to rent the office space if not donated. Estimated fair value of the donated rent was \$10,642 and \$14,190 for the years ended December 31, 2016 and 2015, respectively.

Donated Securities – During the years ended December 31, 2016 and 2015, the organization received donations of stock and mutual funds valued at \$66,684 and \$33,305, respectively.

Birthright Counseling, St. Louis
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016 and 2015
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H. SPECIAL EVENTS

Birthright Counseling, St. Louis holds special events and sells merchandise to raise funds for operations. The costs of the events and merchandise sold, included in fundraising expense, total \$103,558 and \$92,688 for the years ended December 31, 2016 and 2015, respectively. An annual event accounted for 73% and 74% of special event revenue for the years ended December 31, 2016 and 2015, respectively.

I. RESTRICTED NET ASSETS

The Organization established an endowment fund during 1997 to build financial support for the future needs of Birthright Counseling, St. Louis, Inc. The fund is administered by the Endowment Committee. The Endowment Fund holds both funds which the donors have permanently restricted and funds which the donors have temporarily restricted as detailed below. Distributions from the Temporarily Restricted Fund shall be for emergencies that endanger the existence of operations and shall be restricted to an aggregate of two months' operating expenses in any twelve-month calendar period and must be approved by three-fourths majority of the Board. The Endowment Committee annually determines distributions for the following calendar year from Cumulative Income of the Endowment Fund. Undistributed Cumulative Income is recorded as Unrestricted - Board Designated Net Assets.

At December 31, 2016, the Organization had \$38,202 of additional temporarily restricted net assets. The additional temporary restrictions result from contributions to the Organization that were donor-restricted for a specific purpose, \$20,161, or for a specific time, \$18,041. There were no additional temporarily restricted net assets at December 31, 2015, aside from those within the endowment.

J. COMMITMENTS

The Organization leases offices under operating leases with various expiration dates through 2022.

Future minimum rental payments required under leases with non-cancellable leases terms in excess of one year as of December 31, 2016 are as follows:

Year Ending <u>December 31,</u>	
2017	81,275
2018	67,913
2019	38,645
2020	17,467
2021	17,600
Thereafter	<u>1,467</u>
Total minimum payments required	<u>\$ 224,367</u>

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J. **COMMITMENTS** *(Continued)*

Rent expense under these leases was \$83,404 and \$84,901 for the years ended December 31, 2016 and 2015, respectively.

The Organization also leased space for a South County office through September 2016; however, the lease was donated and the expense is recorded as in-kind expense (Note G).

K. **TAX-DEFERRED ANNUITY PLAN**

Birthright Counseling, St. Louis maintains a tax-deferred annuity plan qualified under Section 401(k) of the Internal Revenue Code. The plan allows the Organization to match 100% of eligible full-time employees' contributions into the Plan up to 3% of their gross salary. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Plan expenses were \$10,712 for the year ended December 31, 2016. No employer contributions were made for the year ended December 31, 2015.