

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

Financial Statements and Auditors' Report

For the Years Ended
December 31, 2022

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**BEN PALMER
LEE, CPA, LLC**

BEN P. LEE CPA, CFE, CFF, CGMA, CGFM, CGFO

INDEPENDENT AUDITOR'S REPORT

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

I 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, 2022, and 2021, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion

Opinion

In my 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, 2021 and 2020, 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

I have previously audited Skylark's 2021 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated June 22, 2022. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ben Palmer Lee, CPA, LLC

Ben Palmer Lee, CPA, LLC
St Simons Island, Georgia

March 28, 2023



Skylark Clinic, Inc.
d/b/a Skylark
Statements of Financial Position
As of December 31, 2022
(with summarized comparative information for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2021</u>
Assets				
Current Assets				
Cash and cash equivalents	\$ 729,516	<u>88,062</u>	\$ 817,578	\$ 600,587
Prepaid expenses	-	-	-	<u>3,703</u>
Total Current Assets	<u>729,516</u>	<u>88,062</u>	<u>817,578</u>	<u>604,290</u>
Fixed Assets				
Land	125,000	-	125,000	125,000
Buildings	165,818	-	165,818	165,818
Furniture and equipment	631,770	-	631,770	606,444
	<u>922,588</u>	-	<u>922,588</u>	<u>897,262</u>
Less: Accumulated depreciation	(569,179)	-	(569,179)	(507,724)
Fixed Assets, Net	<u>353,409</u>	<u>-</u>	<u>353,409</u>	<u>389,538</u>
Other Assets				
Inventory	41,145	-	41,145	60,397
Donated property held for sale	705	-	705	705
Refundable deposits	5,140	-	5,140	5,140
Total Other Assets	<u>46,990</u>	<u>-</u>	<u>46,990</u>	<u>66,242</u>
Total Assets	<u>\$ 1,129,915</u>	<u>\$ 88,062</u>	<u>\$ 1,217,977</u>	<u>\$ 1,060,070</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, 2022
(with summarized comparative information for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	2021
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 1,991	\$ -	\$ 1,991	\$ 868
Accrued expenses	13,970	-	13,970	14,125
Total Current Liabilities	<u>15,961</u>	<u>-</u>	<u>15,961</u>	<u>14,993</u>
Long-term Liabilities				
SBA EIDL Loan	145,031	-	145,031	148,487
SBA PPP Loan	-	-	-	-
Total Long-term Liabilities	<u>145,031</u>	<u>-</u>	<u>145,031</u>	<u>148,487</u>
Total Liabilities	<u>160,992</u>	<u>-</u>	<u>160,992</u>	<u>163,480</u>
Net Assets				
Without donor restrictions:				
Board-Designated	250,000		250,000	-
Undesignated	718,923	-	718,923	896,590
Total without donor restrictions	<u>968,923</u>	<u>-</u>	<u>968,923</u>	<u>896,590</u>
With donor restrictions	<u>-</u>	<u>88,062</u>	<u>88,062</u>	<u>-</u>
Total Net Assets	<u>968,923</u>	<u>88,062</u>	<u>1,056,985</u>	<u>896,590</u>
Total Liabilities and Net Assets	<u>\$ 1,129,915</u>	<u>\$ 88,062</u>	<u>\$ 1,217,977</u>	<u>\$ 1,060,070</u>

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

Skylark Clinic, Inc.
d/b/a Skylark
Statements of Activities
For the Year Ended December 31, 2022
(with summarized comparative information for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total	2021
Revenues and Other Support				
Banquet income	\$ 182,452	\$ -	\$ 182,452	\$ 165,349
Banquet underwriting	142,980	-	142,980	110,940
Contributions	926,618	88,062	1,014,680	869,964
Contributions - non-cash	191,581	-	191,581	204,015
Christmas appeal	124,779	-	124,779	158,027
Grant revenue	35,207	-	35,207	1,500
SBA EIDL grant	-	-	-	-
Miscellaneous income	16,637	-	16,637	137,794
Interest income	3,618	-	3,618	1,121
Gain (loss) on sale of donated property	-	-	0	(2,490)
Released from donor restrictions	-	-	-	-
Total Revenues and Other Support	<u>1,623,872</u>	<u>88,062</u>	<u>1,711,934</u>	<u>1,646,220</u>
Expenses				
Program expenses	1,358,141	-	1,358,141	1,240,398
Supporting expenses				
General and administrative	59,408	-	59,408	52,185
Fundraising	133,988	-	133,988	115,265
Total supporting expenses	<u>193,395</u>	<u>-</u>	<u>193,395</u>	<u>167,450</u>
Total Expenses	<u>1,551,536</u>	<u>-</u>	<u>1,551,536</u>	<u>1,407,848</u>
Change in net assets from operations	72,336	88,062	160,398	238,372
Net Assets, Beginning of Year	<u>896,587</u>	<u>-</u>	<u>896,587</u>	<u>658,218</u>
Net Assets, End of Year	<u>\$ 968,923</u>	<u>\$ 88,062</u>	<u>\$ 1,056,985</u>	<u>\$ 896,590</u>

Skylark Clinic, Inc.
d/b/a Skylark
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Operational Activities		
Change in net assets	\$ 160,398	\$ 238,372
Adjustments to reconcile changes in net assets to net cash provided for operating activities		
Depreciation expense	61,455	63,331
(Increase) / decrease in inventory	19,252	7,598
(Increase) / decrease in prepaid expenses	3,703	671
(Increase) / decrease in refundable deposits	-	-
Increase / (decrease) in accounts payable	1,123	(8,086)
Increase / (decrease) in accrued expenses	(155)	7,124
Net cash provided (used) by operating activities	245,776	309,010
Investing Activities		
Purchase of fixed assets	(25,326)	(35,782)
Donated property held for sale	-	-
Net cash provided (used) by investing activities	(25,326)	(35,782)
Financing Activities		
Payments on EDIL loan	(3,456)	(1,412)
Forgiveness of PPP Loan	-	(124,100)
Net cash provided (used) by financing activities	(3,456)	(125,512)
Net Increase (Decrease) in Cash and Cash Equivalents	216,994	147,716
Cash and Cash Equivalents, Beginning of Year	600,587	452,871
Cash and Cash Equivalents, End of Year	\$ 817,581	\$ 600,587

Skylark Clinic, Inc.
d/b/a Skylark
Statements of Functional Expenses
For the Year Ended December 31, 2022
(with summarized comparative information for 2021)

	Program Services	Supporting Services		Total Supporting Expenses	Total	2021
		General & Administration	Fundraising			
Abstinence education expense	\$ 33,029	-	\$ -	\$ -	\$ 33,029	\$ 26,041
Advertising expense	23,162	965	-	965	24,127	16,790
Bank and credit card charges	13,193	550	-	550	13,743	10,793
Banquet and fundraising expenses	-	-	133,988	133,988	133,988	115,265
Benevolence - Clients	206,761	8,615	-	8,615	215,376	210,284
Conferences and seminars	13,423	559	-	559	13,982	6,566
Dues and subscriptions	3,667	153	-	153	3,820	4,212
Educational literature	4,907	204	-	204	5,111	2,694
Employee benefits	19,802	825	-	825	20,627	19,514
Food and entertainment	514	21	-	21	535	613
Fuel expense	13,606	567	-	567	14,173	10,534
Insurance expense	17,310	721	-	721	18,031	16,938
Interest expense	-	4,236	-	4,236	4,236	1,793
Legal and professional expense	26,148	1,090	-	1,090	27,238	11,205
Office expense	24,115	964	-	964	25,079	29,065
Post-abortion counseling	265	11	-	11	276	113
Postage expense	10,577	441	-	441	11,018	10,874
Pregnancy tests expense	144	6	-	6	150	156
Public education expense	-	-	-	-	-	-
Rent expense	45,696	1,904	-	1,904	47,600	47,600
Repairs and maintenance	41,440	1,727	-	1,727	43,167	35,693
Salaries and wages	692,904	28,871	-	28,871	721,775	655,071
Payroll taxes	53,002	2,208	-	2,208	55,210	50,031
Medical supplies	8,324	347	-	347	8,671	12,614
Taxes and licenses	4,770	199	-	199	4,969	5,308
Telephone expense	13,399	558	-	558	13,957	13,069
Training expense	1,894	79	-	79	1,973	7,207
Travel expense	2,335	97	-	97	2,432	3,244
Utilities expense	17,004	709	-	709	17,713	16,912
Volunteer expense	7,751	323	-	323	8,074	4,318
	<u>1,299,144</u>	<u>56,950</u>	<u>133,988</u>	<u>190,937</u>	<u>1,490,081</u>	<u>1,344,517</u>
Depreciation expense	58,997	2,458	-	2,458	61,455	63,331
Total expenses	<u>\$ 1,358,141</u>	<u>59,408</u>	<u>\$ 133,988</u>	<u>\$ 193,395</u>	<u>\$ 1,551,536</u>	<u>\$ 1,407,848</u>

Skylark Clinic, Inc.
Doing Business As Skylark
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

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 women's spiritual, emotional and physical needs 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, in Kingsland, Georgia in 2003, and a mobile medical unit in 2017.

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.

Income Taxes

Skylark is exempt from paying 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. No interest and penalties were charged to expense for the tax years ended December 31, 2022 and 2021.

Basis of Accounting

Skylark prepares its financial statements on the accrual basis of accounting following 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 must 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 its donors place. 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.

With donor restrictions: The portion of net assets used is subject to donor-imposed restrictions.

Skylark Clinic, Inc.
Doing Business As Skylark
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Use of estimates: Preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect specific 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: All unrestricted instruments with original maturities of three months or less are considered cash equivalents for financial statement purposes. Skylark had no cash equivalents as of December 31, 2022 and 2021.

Contributions: Skylark accounts for contributions following 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 (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.

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

Skylark Clinic, Inc.
Doing Business As Skylark
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

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 loss exposure to be minimal.

Property and Equipment

Acquisitions of fixed assets in over \$2,500 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, 2022 and 2021 was \$61,455 and \$63,331 respectively.

Donated Facilities, Services and Materials

Skylark receives significant donated services from unpaid volunteers who provide services to clients and the clinic. 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 yet to be 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. All non-cash donations were recorded correctly when received in 2022.

Skylark Clinic, Inc.
Doing Business As Skylark
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

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 regarding governing board designations, liquidity of financial assets to meet cash needs for general expenditures within one year of the balance sheet date, and disclosing expenses by both their natural and functional classification. The abovementioned changes 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 satellite offices in Jesup, Georgia and Kingsland, Georgia. The Kingsland 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:

2023	\$49,200
2024	43,200
2025	19,200
2026	19,200
2027 and after	19,200
Total	<u>\$150,000</u>

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

Note 3 – Retirement Plan

Skylark participates in a SIMPLE IRA plan. Employees employed for 90 days and at least 28 hours a week can participate in the plan. Skylark matches employee contributions up to 3%. All employees participating are 100% vested in the plan. As of December 31, 2022 and 2021, Skylark paid \$20,627 and \$19,514 in employer matching expense, respectively.

Note 4 – Liquidity and Availability of Assets

Skylark Clinic, Inc.
Doing Business As Skylark
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

The organization has \$817,578 of financial assets available within one year of December 31, 2022 to meet cash needs for general expenditure consisting of cash of \$817,578. 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, 2022.

Also, Skylark Clinic, Inc. applied for and received a thirty years Economic Injury Disaster Loan of \$150,000. This loan is to be paid back twelve months from the date of the Note, which is June 19, 2020, at the rate of \$641 per month at an annual interest rate of 2.75%. Skylark began making payments in August 2021. The balance at the end of December 2021 is \$148,488, and the balance at the end of December 2022 is \$145,031.

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, 2022, was March 28, 2023, which was the date the financial statements were issued.