

**HOPE CHOICE, INC.
& SUBSIDIARY
(formerly Amarillo Area Crisis Pregnancy Center)**

**CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hope Choice, Inc.

I have audited the accompanying consolidated financial statements of Hope Choice, Inc. (formerly Amarillo Crisis Pregnancy Centers d.b.a. CareNet Pregnancy Centers) (a nonprofit organization) and subsidiary, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on my audits. I conducted my audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hope Choice, Inc. and subsidiary as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the Organization has adopted Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, and Financial Accounting Standards Update 2018-08, *Accounting Guidance for Contributions Received and Made*.

Victor B. Glenn

Amarillo, TX

November 16, 2020

HOPE CHOICE, INC. & SUBSIDIARY
(Formerly Amarillo Crisis Pregnancy Centers)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash	\$ 1,297,207	\$ 629,909
Investments	100,100	-
Unconditional promises to give, net	24,267	11,001
Prepaid expenses	16,257	20,092
Property and equipment, net	1,687,987	1,654,601
Intangible assets, net	17,269	3,016
Total assets	\$ 3,143,087	\$ 2,318,619
LIABILITIES		
Accounts payable and accrued liabilities	\$ 33,964	\$ 12,622
Note payable	77,778	133,453
Total liabilities	111,742	146,075
NET ASSETS		
Without donor restrictions	2,966,518	1,984,022
With donor restrictions	64,827	188,522
Total net assets	3,031,345	2,172,544
Total liabilities and net assets	\$ 3,143,087	\$ 2,318,619

See accompanying notes

HOPE CHOICE, INC. & SUBSIDIARY
(Formerly Amarillo Crisis Pregnancy Centers)
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended December 31, 2019 and 2018

	2019	2018
WITHOUT DONOR RESTRICTIONS		
Support and revenues		
Contributions and grants	\$ 1,765,207	\$ 903,363
Donated services and materials	60,471	69,130
Direct benefit to donors	(33,063)	(32,212)
Program/publication revenue	11,075	10,361
Investment income	3,365	1,117
	1,807,055	951,759
Net assets released from restrictions	615,922	443,433
Total support and revenues	2,422,977	1,395,192
 Expenses and Losses		
Expenses		
Program services	1,097,883	1,005,250
Management and general	203,855	189,470
Fundraising	137,239	87,546
Total expenses	1,438,977	1,282,266
Loss on disposal of intangibles	1,503	-
Total expenses and losses	1,440,480	1,282,266
 Increase in net assets without donor restrictions	982,497	112,926
 WITH DONOR RESTRICTIONS		
Contributions and grants	492,226	343,674
Net assets released from restrictions	(615,922)	(443,433)
 Decrease in net assets with donor restrictions	(123,696)	(99,759)
 Increase in total net assets	858,801	13,167
 Net assets at beginning of year	2,172,544	2,159,377
 Net assets at end of year	\$ 3,031,345	\$ 2,172,544

See accompanying notes

HOPE CHOICE, INC. & SUBSIDIARY
(Formerly Amarillo Crisis Pregnancy Centers)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2019

	<u>Program</u>	<u>Management & General</u>	<u>Fund- Raising</u>	<u>Total</u>
Compensation	\$ 500,664	\$ 95,323	\$ 102,378	\$ 698,365
Payroll taxes	39,704	7,118	7,645	54,467
	<u>540,368</u>	<u>102,441</u>	<u>110,023</u>	<u>752,832</u>
Advertising	15,730	-	-	15,730
Assistance to individuals	58,895	-	-	58,895
Conferences and meetings	18,060	509	4,427	22,996
Depreciation	54,848	1,189	179	56,216
Dues	12,361	881	24	13,266
Honorariums	157,979	-	-	157,979
Insurance	29,295	1,755	264	31,314
Maintenance	10,025	15,129	148	25,302
Occupancy	39,572	3,567	1,803	44,942
Postage	7,473	429	64	7,966
Printing	11,029	542	10,466	22,037
Professional fees	-	11,466	-	11,466
Supplies	99,320	5,430	9,667	114,417
Telephone	12,673	759	114	13,546
Travel	22,959	-	-	22,959
Losses for uncollectible promises to give	-	47,443	-	47,443
Interest expense	-	4,325	-	4,325
Other	7,296	7,990	60	15,346
	<u>\$ 1,097,883</u>	<u>\$ 203,855</u>	<u>\$ 137,239</u>	<u>\$ 1,438,977</u>

See accompanying notes

HOPE CHOICE, INC. & SUBSIDIARY
(Formerly Amarillo Crisis Pregnancy Centers)
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2018

	<u>Program</u>	<u>Management & General</u>	<u>Fund- Raising</u>	<u>Total</u>
Compensation	\$ 470,657	\$ 85,246	\$ 59,363	\$ 615,266
Payroll taxes	39,108	5,470	3,809	48,387
	<u>509,765</u>	<u>90,716</u>	<u>63,172</u>	<u>663,653</u>
Advertising	17,046	-	-	17,046
Assistance to individuals	74,980	-	-	74,980
Conferences and meetings	11,022	393	4,836	16,251
Depreciation	52,779	1,074	162	54,015
Dues	4,628	193	29	4,850
Honorariums	127,693	-	-	127,693
Insurance	22,255	1,333	201	23,789
Maintenance	8,812	6,662	3,565	19,039
Occupancy	41,303	2,007	301	43,611
Postage	5,820	349	52	6,221
Printing	5,973	132	9,446	15,551
Professional fees	-	10,945	-	10,945
Supplies	101,373	4,758	5,485	111,616
Telephone	10,618	636	96	11,350
Travel	5,740	-	-	5,740
Losses for uncollectible promises to give	-	46,366	-	46,366
Interest expense	-	17,570	-	17,570
Other	5,443	6,336	201	11,980
	<u>\$ 1,005,250</u>	<u>\$ 189,470</u>	<u>\$ 87,546</u>	<u>\$ 1,282,266</u>

See accompanying notes

HOPE CHOICE, INC. & SUBSIDIARY
(Formerly Amarillo Crisis Pregnancy Centers)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Support collected	\$ 2,239,352	\$ 1,242,301
Revenue collected	14,440	11,535
Payments for expenses	<u>(1,439,988)</u>	<u>(1,206,387)</u>
Net cash provided by operating activities	<u>813,804</u>	<u>47,449</u>
 Cash Flows From Investing Activities		
Payments for property, equipment, and intangibles	(95,645)	(10,174)
Short-term investments-net	<u>4,814</u>	<u>-</u>
Net cash used by investing activities	<u>(90,831)</u>	<u>(10,174)</u>
 Cash Flows From Financing Activities		
Payments on long-term debt	<u>(55,675)</u>	<u>(117,430)</u>
Net cash used by financing activities	<u>(55,675)</u>	<u>(117,430)</u>
 Net increase (decrease) in cash	667,298	(80,155)
 Beginning cash	<u>629,909</u>	<u>710,064</u>
 Ending cash	<u><u>\$ 1,297,207</u></u>	<u><u>\$ 629,909</u></u>

See accompanying notes

HOPE CHOICE, INC. & SUBSIDIARY
(Formerly Amarillo Crisis Pregnancy Centers)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Changes in Net Assets to Net Cash		
Provided by Operating Activities		
Increase in total net assets	\$ 858,801	\$ 13,167
Adjustments to reconcile increase in total net assets		
to net cash provided by operating activities		
Depreciation, amortization, gains, and losses	56,216	54,016
Loss on disposal of assets	1,503	57
Effect of changes in		
Unconditional promises to give	(13,266)	(4,736)
Prepaid expenses	3,835	(18,671)
Accounts payable and accrued liabilities	21,342	4,106
Non-cash donations of fixed assets and securities	(109,813)	(490)
Net cash provided by operating activities	<u>\$ 818,618</u>	<u>\$ 47,449</u>
Supplemental disclosure		
Noncash investing and financing activities:		
Contributed securities	\$ 104,914	\$ 490
Property and equipment	9,712	-

See accompanying notes

HOPE CHOICE, INC.
(formerly Amarillo Area Crisis Pregnancy Center)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Hope Choice, Inc. (the Organization) was incorporated on September 11, 1987 for the purpose of assisting women with crisis pregnancies in the Amarillo, Texas area through counseling, information, emotional support, and practical assistance. In February 2019, the Organization's name was formally changed to Hope Choice, Inc. The name change reflected the Organization's emphasis on impacting families who are facing the pressures of the culture and are seeking solid answers. The Organization strives to equip, mentor, and strengthen future generations. All services are provided free of charge at three locations in Amarillo and Canyon, Texas. The Organization's operations are funded through community support.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary, 1501 Taylor Properties, LLC. All material intercompany transactions have been eliminated.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and

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December 31, 2019 and 2018

gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization has qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Revenue Recognition

Contributions and Grants

Unconditional promises to give are recognized as revenue in the period the promise was made. Conditional promises are recorded as revenue when the conditions are substantially met. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The portion of sponsorship revenue that relates to the commensurate value the sponsor received in return is recognized when the related events are held and performance obligations are met.

Program/Publication Revenue

Revenue is recognized when there is a transfer of goods to customers in an amount that the Organization expects to be entitled in exchange for the goods. The portion of program fees that relates to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulation regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when

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December 31, 2019 and 2018

donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. Volunteers also provided various services throughout the year that are not recognized as contributions in the consolidated financial statements since the criteria for recognition was not met.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

All expenditures for or donations of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services of management and general and fundraising. Expenses related to more than one function are charged to programs and supporting services on the basis of time and expense studies. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, salaries, payroll taxes, insurance, and office expenses.

Reclassifications

Certain accounts in the prior-year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year consolidated financial statements.

HOPE CHOICE, INC.
 (formerly Amarillo Area Crisis Pregnancy Center)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2019 and 2018

Advertising

The Organization uses advertising to promote its program services. The costs of advertising are expensed as incurred.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 1,297,207	\$ 629,909
Contributions Receivable	24,267	11,001
Investments	<u>100,100</u>	<u>-</u>
Total Financial Assets	1,421,574	640,910
Less Assets "Unavailable" Within 12 Months:	<u>-</u>	<u>-</u>
Total Financial Assets Available Within One Year	<u>\$1,421,574</u>	<u>\$ 640,910</u>

The above reflects the Organization's financial assets as of the statement of financial position date. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Amounts due in less than one year	\$ 71,709	\$ 57,367
Less allowance for uncollectible amounts	<u>(47,442)</u>	<u>(46,366)</u>
	<u>\$ 24,267</u>	<u>\$ 11,001</u>

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 December 31, 2019 and 2018

NOTE 4 – CONCENTRATIONS

The Organization receives approximately 3% to 8% of its annual support from an annual walk-a-thon fundraiser and approximately 30% to 45% from its annual fundraising banquet. Approximately 5% to 12% of the Organization’s funding in 2019 and 2018 was provided from contributions from a corporate donor.

NOTE 5 – INVESTMENTS

Generally accepted accounting principles provide a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) then a lower priority to quoted prices in inactive markets (Level 2 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

At December 31, 2019, the Organization’s investments consisted of common stock reported at fair value using a Level 2 measurement.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 72,481	\$ 72,481
Buildings	1,919,150	1,844,495
Furniture and fixtures	43,769	41,771
Vehicles	13,325	13,325
Equipment	<u>167,714</u>	<u>157,009</u>
	2,216,439	2,129,081
Less accumulated depreciation	<u>(528,452)</u>	<u>(474,480)</u>
	<u>\$ 1,687,987</u>	<u>\$1,654,6018</u>

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 (formerly Amarillo Area Crisis Pregnancy Center)
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 – INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
“Chosen” curriculum	\$ 55,511	\$ 55,511
Web page development	<u>18,000</u>	<u>5,200</u>
	73,511	60,711
Less accumulated amortization	<u>(56,242)</u>	<u>(57,695)</u>
	<u>\$ 17,269</u>	<u>\$ 3,016</u>

NOTE 8 – NOTE PAYABLE

The Organization has an interest-free unsecured note in the amount of \$400,000 from an individual that is payable in monthly installments of \$5,000 beginning in January 2016 through April 2021.

To reflect the time value of money, the liability recorded in the consolidated financial statements reflects future payments discounted at an imputed interest rate of 4.0%, which was the prevailing rate for similar transactions at the October 2015 inception of the note. The future scheduled note payments are as follows:

Years ending December 31:	
2020	\$ 60,000
2021	<u>20,000</u>
	80,000
Additional interest expense (unamortized discount)	<u>(2,222)</u>
Present value of note payments	<u>\$ 77,778</u>

HOPE CHOICE, INC.
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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 9 – LEASES

The Organization leases certain buildings and equipment under operating leases with related expenses of \$4,471 and \$7,457 for 2019 and 2018, respectively. Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2019 are:

Year Ending December 31:

2020	\$ 1,871
2021	1,871
2022	1,359
2023	1,089
2024	<u>-</u>
	<u>\$ 6,190</u>

NOTE 10 – NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization’s governing Board of Directors has designated net assets without donor restrictions for the building repairs in the amount of \$21,848 and \$22,019 as of December 31, 2019 and 2018, respectively.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes and periods as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Programs	\$ 45,718	\$ 163,116
Assistance to individuals	16,887	18,859
Donor contribution for future interest	<u>2,222</u>	<u>6,547</u>
	<u>\$ 64,827</u>	<u>\$ 188,522</u>

NOTE 12 – DONATED SERVICES

The fair value of donated services included in contributions in the consolidated financial statements and the corresponding expenses are for legal and accounting services in the amount of \$1,000 for the year ended December 31, 2018.

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NOTE 13 – SUBSEQUENT EVENTS

Management has reviewed events occurring subsequent to December 31, 2019 through November 16, 2020 (the date which the consolidated financial statements were available for issue) for potential impact on the accompanying consolidated financial statements and disclosures herein.

In January 2020, an Organization called *The Family Tree Pregnancy Resource Center* in Pinedale, Wyoming joined with Hope Choice, Inc. The Pinedale location offers the same services and programs as Hope Choice, Inc.

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue. The implementation of this standard had no impact on the financial statements.

Additionally, in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assist

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entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this standard had no impact on the financial statements.