

LIFE NETWORK

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

WITH

INDEPENDENT ACCOUNTANTS' REPORT

DECEMBER 31, 2015

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Life Network
Colorado Springs, Colorado

We have reviewed the accompanying financial statements of Life Network (a non-profit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows, and functional expense for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and review Services Committee of the American Institute of Certified Public Accountants (AICPA). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles general accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Additional Information

The additional information included in the accompanying schedule of functional expense with estimated value of volunteers is presented only for purpose of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have not audited or reviewed such information and, accordingly, we do not express an opinion, a conclusion, or provide any assurance on it.

Summarized Comparative Information

We previously reviewed Life Network's 2014 financial statements and in our conclusion, dated March 4, 2015, we stated that based on our review, we were not aware of any material modifications that should be made to the 2014 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2014, for it to be consistent with the reviewed financial statements from which it was derived.

Osborne, Parsons & Neelken LLP

Colorado Springs, Colorado

June 14, 2016

LIFE NETWORK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
With Comparative Totals for 2014

ASSETS

	2015	2014
Current assets		
Cash	\$ 200,830	\$ 308,562
Cash reserves for building improvement fund and loan covenant	151,882	151,772
Total cash	352,712	460,334
Inventory	71,541	73,464
Prepaid expense	5,819	6,311
Total current assets	430,072	540,109
Non-current assets		
Property and equipment, net	1,039,557	1,100,055
Total non-current assets	1,039,557	1,100,055
Total assets	\$ 1,469,629	\$ 1,640,164

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 3,355	\$ -
Accrued expenses	56,236	48,406
Current portion of notes payable	29,877	28,618
Obligations under capital lease, current portion	-	1,056
Total current liabilities	89,468	78,080
Non-current liabilities		
Notes payable, net of current portion	824,518	854,395
Total non-current liabilities	824,518	854,395
Total liabilities	913,986	932,475
Net assets		
Unrestricted	461,018	496,705
Temporarily restricted	94,625	210,984
Total net assets	555,643	707,689
Total liabilities and net assets	\$ 1,469,629	\$ 1,640,164

See independent accountants' review report and notes to the financial statements

LIFE NETWORK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015
With Comparative Totals for 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Totals</u>	
			<u>2015</u>	<u>2014</u>
Public support and revenue				
Public support				
Contributions	\$ 716,002	\$ 164,020	\$ 880,022	\$ 822,905
Grants	220	15,600	15,820	87,460
Special events				
Net of \$117,790 direct benefit costs	428,867	-	428,867	542,172
Donated services	44,870	-	44,870	27,720
Total public support	<u>1,189,959</u>	<u>179,620</u>	<u>1,369,579</u>	<u>1,480,257</u>
Revenue				
Investment income	349	-	349	609
Loss on sale of assets	-	-	-	(830)
Rent revenue	17,100	-	17,100	10,823
Other income	3,552	-	3,552	-
Total revenue	<u>21,001</u>	<u>-</u>	<u>21,001</u>	<u>10,602</u>
Net assets released by satisfying the following donor-imposed restrictions				
Program services	295,979	(295,979)	-	-
Total net assets released	<u>295,979</u>	<u>(295,979)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>1,506,939</u>	<u>(116,359)</u>	<u>1,390,580</u>	<u>1,490,859</u>
Expense				
Program	833,940	-	833,940	920,862
Support				
Management and general	442,454	-	442,454	196,179
Fundraising	266,232	-	266,232	314,025
Total support	<u>708,686</u>	<u>-</u>	<u>708,686</u>	<u>510,204</u>
Total expense	<u>1,542,626</u>	<u>-</u>	<u>1,542,626</u>	<u>1,431,066</u>
Change in net assets	(35,687)	(116,359)	(152,046)	59,793
Beginning net assets	<u>496,705</u>	<u>210,984</u>	<u>707,689</u>	<u>647,896</u>
Ending net assets	<u>\$ 461,018</u>	<u>\$ 94,625</u>	<u>\$ 555,643</u>	<u>\$ 707,689</u>

See independent accountants' review report and notes to the financial statements

LIFE NETWORK
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015
With Comparative Totals for 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (152,046)	\$ 59,793
Adjustments to arrive at net cash flow from operating activities		
Non-expensed inventory contributions	-	(50,300)
Loss on disposal of property assets	-	830
Loss on disposal of other assets	-	200
Depreciation	75,379	62,830
Changes in		
Accounts receivable	-	5,372
Pledges receivable, net	-	1,125
Inventory	1,923	23,951
Prepaid expense	492	(2,062)
Accounts payable	3,355	(14,791)
Accrued expenses	7,830	(10)
Net cash flow (used) provided by operating activities	(63,067)	86,938
Cash flows from investing activities		
Purchase of property assets	(14,881)	(529,779)
Proceeds from sale of property assets	-	600
Net cash flow used by investing activities	(14,881)	(529,179)
Cash flows from financing activities		
Proceeds from notes payable	-	350,000
Principal payments on notes payable	(28,618)	(20,676)
Payments on capital lease obligations	(1,056)	(2,622)
Net cash flow (used) provided by financing activities	(29,674)	326,702
Change in cash	(107,622)	(115,539)
Beginning cash	460,334	575,873
Ending cash	\$ 352,712	\$ 460,334

See independent accountants' review report and notes to the financial statements

LIFE NETWORK
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2015
With Comparative Totals for 2014

	Program	Support		Totals	
		Management and general	Fundraising	2015	2014
Salaries and benefits	\$ 517,283	\$ 226,522	\$ 101,428	\$ 845,233	\$ 844,124
Payroll taxes	37,690	16,505	7,390	61,585	62,079
Health insurance	22,251	3,204	4,776	30,231	29,900
	<u>577,224</u>	<u>246,231</u>	<u>113,594</u>	<u>937,049</u>	<u>936,103</u>
Advertising	5,512	-	2,558	8,070	6,059
Computer network	5,623	36,069	11,351	53,043	59,696
Conference and training	5,239	11	26	5,276	4,572
Food and hospitality	1,136	718	8,115	9,969	8,555
Depreciation	43,871	7,839	23,669	75,379	62,830
Development and public relations	6,772	301	7,245	14,318	26,974
Insurance	3,816	23,873	167	27,856	19,496
Interest	15,891	25,064	-	40,955	40,040
Equipment and maintenance	33,711	11,384	10,169	55,264	32,223
Occupancy	17,778	15,451	-	33,229	25,933
Postage and shipping	826	6,252	4,899	11,977	10,033
Professional fees	15,503	22,952	28,657	67,112	56,735
Printing	1,709	9,452	11,616	22,777	18,448
Supplies	76,471	10,477	33,478	120,426	58,571
Telephone	3,558	20,939	915	25,412	23,087
Travel	7,322	2,587	1,288	11,197	9,168
Bank and credit card fees	44	237	8,485	8,766	12,985
Mission support	1,035	150	-	1,185	4,247
Memberships	9,253	2,242	-	11,495	14,856
Other	1,646	225	-	1,871	455
Total 2015	<u>\$ 833,940</u>	<u>\$ 442,454</u>	<u>\$ 266,232</u>	<u>\$ 1,542,626</u>	
Total 2014	<u>\$ 920,862</u>	<u>\$ 196,179</u>	<u>\$ 314,025</u>		<u>\$ 1,431,066</u>

See independent accountants' review report and notes to the financial statements

LIFE NETWORK
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are described below to enhance the usefulness of the financial statements to the reader.

Organization - Life Network is a nonprofit corporation organized under the laws of the State of Colorado and does business as the Colorado Springs Pregnancy Center, Old Colorado City Pregnancy Center, Education for a Lifetime, Bridges of Hope, and Life Steps.

Purpose - Life Network is a sanctity of human life ministry that impacts and transforms people with the love of Christ. Life Network provides pregnancy and post abortion counseling as well as abstinence education services to the Colorado Springs community.

Tax-exempt status - Life Network is a non-profit corporation determined tax-exempt under Internal Revenue Code Section 501(c)(3). As a result of this determination, Life Network may accept tax-deductible charitable contributions and is exempt from income tax on income resulting from activities carried on to further its exempt purpose, as well as certain other specific types of income.

Basis of accounting - Information regarding financial position and activities is reported in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2015, Life Network had no permanently restricted net assets.

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 revenue and expense during the reporting period. Actual results could differ from those estimates.

Definition of cash and cash equivalents - For the purpose of the statement of cash flows, cash is defined as all cash on hand, demand deposits, money market accounts, and certificates of deposit with an initial maturity of three months or less.

Inventory - Inventory is comprised of donated maternity and infant supplies. These items are recorded at estimated fair market value at the date of receipt.

Property and equipment - Property and equipment are carried at cost or estimated value at date donated. Depreciation is provided on the straight-line basis over the estimated useful life of the assets. Those assets having a useful life in excess of one year and cost \$1,500 or more are capitalized.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support based on the existence or nature of any donor restrictions.

Gifts of cash and other assets are reported as restricted support if received with donor stipulations limiting the use of the donated assets. When a donor restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

See independent accountants' review report

LIFE NETWORK
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Contributed services - The volunteer services of several local doctors and nurses are utilized to provide medical care to clients of Life Network. The services of these volunteers are recorded at a \$70 per hour rate. Contributed services recognized in the financial statements totaled \$44,870 for the year ended December 31, 2015.

Volunteers are the heart of this ministry, and due to their tremendous support, Life Network is able to address the needs of both clients and students. More than 5,150 clients received assistance ranging from pregnancy testing and counseling to baby supplies. Over 5,500 students were reached with an abstinence message. In 2015, Life Network received approximately 11,300 volunteer hours, with an estimated value of \$169,000. This estimated amount was derived by applying hourly rates ranging from \$12 to \$18 per recorded volunteer hour to various volunteer service categories. These amounts are not included in the financial statements because they do not meet the recognition criteria established by generally accepted accounting principles.

Statement of functional expense - Life Network's statement of functional expense includes the allocation of indirect expenses among the programs and supporting services benefited.

Advertising - Advertising costs are expensed as incurred. Advertising expense was \$8,070 for the year ended December 31, 2015.

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

NOTE 1 – COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Life Network's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

NOTE 2 – CASH

The Organization is required by loan covenants to maintain a deposit account to be used solely for making improvements to the property collateralizing the loan. As of December 31, 2015 the balance in this account was \$151,882.

See independent accountants' review report

LIFE NETWORK
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of:

Land	\$ 128,196
Building and improvements	1,249,503
Furniture and equipment	331,765
Automobiles	18,000
Property held under capital lease	5,193
Total cost	<u>1,732,657</u>
Less accumulated depreciation	<u>(693,100)</u>
Net property and equipment	<u><u>\$ 1,039,557</u></u>

Depreciation expense was \$75,379.

NOTE 4 – NOTES PAYABLE

Long-term debt consists of:

Payable to bank in 60 monthly installments of \$3,537 through May 15, 2019, and 59 monthly installments of \$3,567 beginning June 15, 2019. Monthly payments include interest at 4.625%. A balloon payment of \$342,692 is due May 15, 2024. Collateralized by a Deed of Trust, all rents, inventory, chattel paper, accounts, equipment, general intangibles and fixtures. The bank retains the right of offset on all the borrower's accounts.

\$ 522,540

Payable to bank in 60 monthly installments of \$2,251 through May 12, 2019, and 59 monthly installments of \$2,270 beginning June 12, 2019. Monthly payments include interest at 4.625%. A balloon payment of \$218,076 is due May 12, 2024. Collateralized by a Deed of Trust, all rents, inventory, chattel paper, accounts, equipment, general intangibles and fixtures. The bank retains the right of offset on all the borrower's accounts. The bank also required the borrower to deposit \$30,000 to be used for property improvements.

331,855

Total notes payable

854,395

Less current portion

29,877

Long-term portion of notes payable

\$ 824,518

See independent accountants' review report

**LIFE NETWORK
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – NOTES PAYABLE – Continued

Future scheduled maturities of long-term debt are:

2016	\$	29,877
2017		31,420
2018		32,927
2019		34,849
2020		36,678
Thereafter		688,644
Total	\$	854,395

NOTE 5 – LEASES

Operating Lease

The Organization is a party to a collaboration lease agreement for building space. The agreement required monthly payments of \$600 during 2015, and was renewed in December of 2015 through October 6, 2016, with monthly payments due of \$900. The agreement can be renewed at expiration. Total rental expense under the agreement for 2015 was \$8,670.

Capital Lease

Office equipment was acquired using capital lease financing at an effective interest rate of 4.89%. The office equipment is being depreciated over its' economic life of 3 years. Depreciation expense was \$1,731 and amortization of the interest expense was \$12, for 2015.

Summary of property under capital leases follows:

Original cost	\$	5,193
Accumulated depreciation		(4,472)
Net book value	\$	721

NOTE 6 – STATEMENT OF CASH FLOWS

Life Network paid \$40,955 in interest expense during 2015.

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of Life Network's financial instruments approximates their fair value.

See independent accountants' review report

**LIFE NETWORK
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – RETIREMENT PLAN

Life Network is sponsoring a 401(k) defined contribution retirement plan. Life Network may make discretionary matching contributions to the plan. During 2015 this contribution resulted in pension expense of \$17,640. Employer matching contributions vest at a rate of 25% per year, and will fully vest either at reaching retirement age during employment or 5 years of continuous credited service.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset activity consists of:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Released</u>	<u>Ending balance</u>
Colorado Springs Pregnancy Center	\$ 74,537	\$ 8,160	\$ (82,697)	\$ -
EFL Education	-	5,280	(5,280)	-
Rocky Mountain Conference	-	30,230	(26,678)	3,552
STD Testing	-	120,000	(52,732)	67,268
Steps for Life	136,447	350	(128,592)	8,205
Grant	-	15,600	-	15,600
Total	<u>\$ 210,984</u>	<u>\$ 179,620</u>	<u>\$ (295,979)</u>	<u>\$ 94,625</u>

NOTE 10 – CONCENTRATION OF CREDIT RISK

At times during the year, cash deposits at financial institutions exceeded federally insured limits. Life Network has not experienced any loss in these accounts, and believes it is not exposed to any significant credit risk.

During 2015, approximately 23% of total contributions were from three donors.

During 2015, approximately 31% of total public support was from fund-raising events.

NOTE 11 – INFORMATION RETURNS

Life Network's 990 and 990T information returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2015, the information returns for the three prior years are considered open for Internal Revenue Service examination.

During the fiscal year ending December 31, 2014, Life Network obtained a building through debt financing with a current tenant. Rents received from the tenant are classified as unrelated business income and are subject to taxation. As of December 31, 2015, Life Network had no tax obligation due.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 14, 2016, the date on which the financial statements were available to be issued.

See independent accountants' review report

ADDITIONAL INFORMATION

LIFE NETWORK
SCHEDULE OF FUNCTIONAL EXPENSE WITH ESTIMATED VALUE OF VOLUNTEERS
YEAR ENDED DECEMBER 31, 2015
With Comparative Totals for 2014

	Program	Support		Totals	
		Management and general	Fundraising	2015	2014
Salaries and benefits	\$ 517,283	\$ 226,522	\$ 101,428	\$ 845,233	\$ 844,124
Payroll taxes	37,690	16,505	7,390	61,585	62,079
Health insurance	22,251	3,204	4,776	30,231	29,900
	<u>577,224</u>	<u>246,231</u>	<u>113,594</u>	<u>937,049</u>	<u>936,103</u>
Advertising	5,512	-	2,558	8,070	6,059
Computer network	5,623	36,069	11,351	53,043	59,696
Conference and training	5,239	11	26	5,276	4,572
Food and hospitality	1,136	718	8,115	9,969	8,555
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Insurance	3,816	23,873	167	27,856	19,496
Interest	15,891	25,064	-	40,955	40,040
Equipment and maintenance	33,711	11,384	10,169	55,264	32,223
Occupancy	17,778	15,451	-	33,229	25,933
Postage and shipping	826	6,252	4,899	11,977	10,033
Professional fees	15,503	22,952	28,657	67,112	56,735
Printing	1,709	9,452	11,616	22,777	18,448
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Travel	7,322	2,587	1,288	11,197	9,168
Bank and credit card fees	44	237	8,485	8,766	12,985
Mission support	1,035	150	-	1,185	4,247
Memberships	9,253	2,242	-	11,495	14,856
Other	1,646	225	-	1,871	455
Total	<u>\$ 833,940</u>	<u>\$ 442,454</u>	<u>\$ 266,232</u>	<u>\$ 1,542,626</u>	<u>\$ 1,431,066</u>
Estimated value of program volunteers	<u>\$ 140,469</u>	<u>\$ 11,210</u>	<u>\$ 17,275</u>	<u>\$ 168,954</u>	<u>\$ 209,828</u>
Total with estimated value of program volunteers	<u>\$ 974,409</u>	<u>\$ 453,664</u>	<u>\$ 283,507</u>	<u>\$ 1,711,580</u>	<u>\$ 1,640,894</u>

See independent accountants' review report