LIFE NETWORK, INC.

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2017

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	Page
Independent auditors' report	1
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of cash flows	5
Statement of functional expense	6
Notes to financial statements	7
Additional information	
Schedule of functional expense with estimated value of volunteers	12

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

601 NORTH NEVADA AVENUE
COLORADO SPRINGS, COLORADO 80903-1005

JEFFREY S. ROSACKER, CPA – PARTNER
MITCHELL K. DOWNS, CPA, ABV – PARTNER
—
GREGORY P. PARSONS, CPA

TELEPHONE (719) 636-2321
FAX (719) 636-2517
WEB WWW.SPRINGSCPA.COM

INDEPENDENT AUDITORS' REPORT

Board of Directors
Life Network, Inc.
Colorado Springs, Colorado

We have audited the accompanying financial statements of Life Network, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, cash flows, and functional expense for the year 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 Life Network, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expense with estimated value of volunteers on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Life Network, Inc.'s 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Osborne, Parsons & Rosacher LLP

Colorado Springs, Colorado
March 21, 2018

LIFE NETWORK, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
With Comparative Totals for 2016

ASSETS

	2017	2016
Current assets		
Cash	$ 213,692	$ 137,843
Cash reserves for building improvement fund and loan covenant	151,232	150,999
Total cash	364,924	288,842
Contributions receivable	76,732	20,000
Inventory	66,335	74,325
Prepaid expense	43,962	5,895
Total current assets	551,953	389,062
Non-current assets		
Property and equipment, net	916,881	980,149
Total non-current assets	916,881	980,149
Total assets	$ 1,468,834	$ 1,369,211

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	$ 3,318	$ 7,137
Accrued expenses	69,698	58,904
Current portion of notes payable	32,927	31,421
Total current liabilities	105,943	97,462
Non-current liabilities		
Notes payable, net of current portion	761,196	794,123
Total non-current liabilities	761,196	794,123
Total liabilities	867,139	891,585
Net assets		
Unrestricted	560,021	436,868
Temporarily restricted	41,674	40,758
Total net assets	601,695	477,626
Total liabilities and net assets	$ 1,468,834	$ 1,369,211

See notes to the financial statements

LIFE NETWORK, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
With Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Public support and revenue				
Public support				
Contributions	$ 1,080,943	$ 9,348	$ 1,090,291	$ 883,578
Grants	11,000	33,000	44,000	56,000
Special events				
Net of $124,865 direct benefit costs	461,421	-	461,421	454,991
Donated services	25,970	-	25,970	18,302
Total public support	1,579,334	42,348	1,621,682	1,412,871
Revenue				
Investment income	402	-	402	356
Loss on disposal of property assets	-	-	-	(10,338)
Rent revenue	18,300	-	18,300	17,700
Total revenue	18,702	-	18,702	7,718
Net assets released by satisfying the following donor-imposed restrictions				
Program services	21,432	(21,432)	-	-
Time restricted	20,000	(20,000)	-	-
Total net assets released	41,432	(41,432)	-	-
Total public support and revenue	1,639,468	916	1,640,384	1,420,589
Expense				
Program	1,126,590	-	1,126,590	1,016,646
Support				
Management and general	156,913	-	156,913	159,453
Fundraising	232,812	-	232,812	322,507
Total support	389,725	-	389,725	481,960
Total expense	1,516,315	-	1,516,315	1,498,606
Change in net assets	123,153	916	124,069	(78,017)
Beginning net assets	436,868	40,758	477,626	555,643
Ending net assets	$ 560,021	$ 41,674	$ 601,695	$ 477,626

See notes to the financial statements

LIFE NETWORK, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
With Comparative Totals for 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 124,069	$ (78,017)
Adjustments to arrive at net cash flow from operating activities		
Loss on disposal of property assets	-	10,338
Depreciation	69,491	60,544
Changes in		
Contributions receivable	(56,732)	(20,000)
Inventory	7,990	(2,784)
Prepaid expense	(38,067)	(76)
Accounts payable	(3,819)	3,782
Accrued expenses	10,794	2,668
Net cash flow provided (used) by operating activities	113,726	(23,545)
Cash flows from investing activities		
Purchase of property assets	(6,223)	(11,474)
Net cash flow used by investing activities	(6,223)	(11,474)
Cash flows from financing activities		
Principal payments on notes payable	(31,421)	(28,851)
Net cash flow used by financing activities	(31,421)	(28,851)
Change in cash	76,082	(63,870)
Beginning cash	288,842	352,712
Ending cash	$ 364,924	$ 288,842

See notes to the financial statements

LIFE NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2017
With Comparative Totals for 2016

		Support		Total	
	Program	Management and General	Fundraising	2017	2016
Salaries and benefits	$ 587,111	$ 109,035	$ 142,584	$ 838,730	$ 837,162
Payroll taxes	43,212	8,025	10,494	61,731	61,634
Health insurance	15,884	4,765	2,042	22,691	28,711
	646,207	121,825	155,120	923,152	927,507
Supplies	153,607	1,584	3,167	158,358	135,548
Depreciation	40,305	6,949	22,237	69,491	60,544
Equipment and maintenance	52,105	2,927	3,513	58,545	57,598
Professional fees	48,575	1,907	2,724	53,206	50,542
Computer network	29,103	10,722	11,233	51,058	58,385
Interest	33,475	1,522	3,043	38,040	39,585
Insurance	22,515	1,373	3,569	27,457	22,186
Printing	16,990	1,249	6,746	24,985	20,966
Telephone	18,213	2,249	2,024	22,486	29,722
Occupancy	18,427	847	1,906	21,180	30,707
Development and public relations	10,365	1,111	7,034	18,510	3,879
Food and hospitality	11,223	118	473	11,814	11,779
Bank and credit card fees	5,728	-	5,962	11,690	13,835
Postage and shipping	3,497	715	3,735	7,947	7,850
Conference and training	5,140	54	216	5,410	6,092
Travel	4,621	47	-	4,668	3,288
Memberships	1,981	1,451	106	3,538	7,065
Property taxes	2,398	180	-	2,578	6,749
Curriculum	1,103	83	-	1,186	504
Mission support	616	-	-	616	1,270
Advertising	396	-	4	400	1,789
Other	-	-	-	-	1,216
Total 2017	$ 1,126,590	$ 156,913	$ 232,812	$ 1,516,315	
Percent total expenses - 2017	74.30%	10.35%	15.35%	100.00%	
Total 2016	$ 1,016,646	$ 159,453	$ 322,507		$ 1,498,606
Percent total expenses - 2016	67.84%	10.64%	21.52%		100.00%

See notes to the 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, 2017, 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.

Pledges and contributions receivable – Pledges and contributions receivable consist of unconditional promises to give from individuals or other organizations. These promises to give are recorded as receivables and revenues and Life Network distinguishes between pledges and contributions received for each net asset category in accordance with donor-imposed restrictions. Management does not book pledges and contributions receivable except at year-end. Management closely monitors outstanding pledges and contributions receivable and establishes an allowance for doubtful accounts based on its evaluation of collectability. Management believes all outstanding pledges and contributions receivable for the year ending December 31, 2017, are fully collectible.

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 $1,000 or more are capitalized.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 $25,970 for 2017.

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 2017, Life Network received approximately 9,300 volunteer hours, with an estimated value of $140,000. 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 $400 for 2017.

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, Inc.'s financial statements for the year ended December 31, 2016, from which the summarized information was derived.

NOTE 2 – CASH

The Life Network is required by loan covenants to maintain a $30,000 deposit account to be used solely for making improvements to the property collateralizing the loan. As of December 31, 2017, the balance in this account was $151,232.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of:

Land	$ 128,196
Building and improvements	1,253,378
Furniture and equipment	197,366
Property held under capital lease	5,193
Total cost	1,584,133
Less accumulated depreciation	(667,252)
Net property and equipment	$ 916,881

Depreciation expense for 2017 was $69,491.

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.	$ 485,297
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.	308,826
Total notes payable	794,123
Less current portion	32,927
Long-term portion of notes payable	$ 761,196

NOTE 4 – NOTES PAYABLE – Continued

Future scheduled maturities of long-term debt are:

2018	$ 32,927
2019	34,851
2020	36,678
2021	38,531
2022	40,378
Thereafter	610,758
Total	$ 794,123

NOTE 5 – STATEMENT OF CASH FLOWS

Life Network paid $38,040 in interest expense during 2017.

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

NOTE 7 – RETIREMENT PLAN

During 2017, Life Network sponsored a 401(k) defined contribution retirement plan, in which it could make discretionary matching contributions. Employer matching contributions vest at a rate of 25% per year, and fully vest either at reaching retirement age during employment or 5 years of continuous credited service. This plan was terminated effective October 31, 2017, and resulted in pension expense of $11,396 prior to termination.

During October 2017, Life Network entered into a SIMPLE IRA plan effective January 1, 2018, and has elected to contribute a matching contribution of up to 3% of eligible compensation for the year. Employer contributions to the plan are fully and immediately vested upon contribution. During 2017, the plan resulted in $2,462 of accrued pension expense.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset activity consists of:

	Beginning Balance	Additions	Released	Ending Balance
Colorado Springs Pregnancy Center	$ -	$ 180	$ (180)	$ -
EFL Education	-	3,300	(3,300)	-
Steps for Life	-	868	(868)	-
Computer equipment	-	5,000	(5,000)	-
Grant (social media, medical support and supplies)	20,758	33,000	(12,084)	41,674
Time (pledges receivable)	20,000	-	(20,000)	-
Total	$ 40,758	$ 42,348	$ (41,432)	$ 41,674

NOTE 9 – 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 2017, approximately 28% of total contributions were from three donors.

During 2017, approximately 28% of total public support was from fund-raising events.

NOTE 10 – RELATED PARTY TRANSACTIONS

During 2017, members of the board of directors and management contributed $15,495 to Life Network.

During 2017, Life Network made payments totaling $20,935 to a company owned by a board member.

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, 2017, the information returns for the three prior years are considered open for Internal Revenue Service examination.

During 2014, Life Network obtained a building with a current tenant through debt financing. Rents received from the tenant are classified as unrelated business income and are subject to taxation. As of December 31, 2017, Life Network had no tax obligation liability.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 21, 2018, the date on which the financial statements were available to be issued.

ADDITIONAL INFORMATION

LIFE NETWORK, INC.
SCHEDULE OF FUNCTIONAL EXPENSE WITH ESTIMATED VALUE OF VOLUNTEERS
YEAR ENDED DECEMBER 31, 2017
With Comparative Totals for 2016

		Support		Total	
	Program	Management and General	Fundraising	2017	2016
Salaries and benefits	$ 587,111	$ 109,035	$ 142,584	$ 838,730	$ 837,162
Payroll taxes	43,212	8,025	10,494	61,731	61,634
Health insurance	15,884	4,765	2,042	22,691	28,711
	646,207	121,825	155,120	923,152	927,507
Supplies	153,607	1,584	3,167	158,358	135,548
Depreciation	40,305	6,949	22,237	69,491	60,544
Equipment and maintenance	52,105	2,927	3,513	58,545	57,598
Professional fees	48,575	1,907	2,724	53,206	50,542
Computer network	29,103	10,722	11,233	51,058	58,385
Interest	33,475	1,522	3,043	38,040	39,585
Insurance	22,515	1,373	3,569	27,457	22,186
Printing	16,990	1,249	6,746	24,985	20,966
Telephone	18,213	2,249	2,024	22,486	29,722
Occupancy	18,427	847	1,906	21,180	30,707
Development and public relation	10,365	1,111	7,034	18,510	3,879
Food and hospitality	11,223	118	473	11,814	11,779
Bank and credit card fees	5,728	-	5,962	11,690	13,835
Postage and shipping	3,497	715	3,735	7,947	7,850
Conference and training	5,140	54	216	5,410	6,092
Travel	4,621	47	-	4,668	3,288
Memberships	1,981	1,451	106	3,538	7,065
Property taxes	2,398	180	-	2,578	6,749
Curriculum	1,103	83	-	1,186	504
Mission support	616	-	-	616	1,270
Advertising	396	-	4	400	1,789
Other	-	-	-	-	1,216
Total	$ 1,126,590	$ 156,913	$ 232,812	$ 1,516,315	$ 1,498,606
Estimated value of program volunteers	$ 116,207	$ 9,801	$ 14,001	$ 140,009	$ 151,086
Total with estimated value of program volunteers	$ 1,242,797	$ 166,714	$ 246,813	$ 1,656,324	$ 1,649,692