

LIFE NETWORK, INC.

FINANCIAL STATEMENTS

AND

ADDITIONAL INFORMATION

WITH

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2018

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 Functional Expense	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Additional Information	
Schedule of Functional Expense with Estimated Value of Volunteers	15

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, 2018, 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, 2018, 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.

Adoption of New Accounting Standards

As discussed in the notes to the financial statements, in 2018 Life Network, Inc. adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, and ASU 2016-18, Statement of Cash Flows (Topic 230) - *Restricted Cash*. Our opinion is not modified with respect to these matters.

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 15 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 Life Network, Inc.'s 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Osborne, Parsons & Mosacher LLP

Colorado Springs, Colorado
April 22, 2019

LIFE NETWORK, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
With comparative totals for 2017

ASSETS		
	2018	2017
Current Assets		
Cash	\$ 418,608	\$ 213,692
Promises to Give	97,586	76,732
Inventory	65,702	66,335
Prepaid Expenses	8,829	43,962
Total Current Assets	590,725	400,721
Non-current Assets		
Restricted Cash - Building Improvement Reserves	168,597	151,232
Property and Equipment, Net	893,648	916,881
Total Assets	\$ 1,652,970	\$ 1,468,834
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 11,200	\$ 3,318
Accrued Expenses	59,625	69,698
Current Portion of Notes Payable	34,352	32,927
Obligations Under Capital Lease, Current Portion	1,311	-
Total Current Liabilities	106,488	105,943
Non-current Liabilities		
Long-Term Debt, Net of Current Portion	725,598	761,196
Obligations Under Capital Lease, Net of Current Portion	2,405	-
Total Liabilities	834,491	867,139
Net Assets		
Without Donor Restrictions	675,083	560,021
With Donor Restrictions	143,396	41,674
Total Net Assets	818,479	601,695
Total Liabilities and Net Assets	\$ 1,652,970	\$ 1,468,834

See Notes to Financial Statements

LIFE NETWORK, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
With Comparative Totals for 2017

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>2018</u>	<u>2017</u>
Public Support and Revenue				
Public Support				
Contributions	\$ 955,241	\$ 119,864	\$ 1,075,105	\$ 981,956
Grants	-	34,000	34,000	44,000
Special Events	636,734	-	636,734	586,286
Donated Services	12,002	-	12,002	25,970
In-kind Contributions	113,833	-	113,833	108,335
Total Public Support	<u>1,717,810</u>	<u>153,864</u>	<u>1,871,674</u>	<u>1,746,547</u>
Revenue				
Investment Return	1,217	-	1,217	402
Gain on Disposal of Property Assets	102	-	102	-
Rent Revenue	19,060	-	19,060	18,300
Other Revenue	1,777	-	1,777	-
Total Revenue	<u>22,156</u>	<u>-</u>	<u>22,156</u>	<u>18,702</u>
Net Assets Released from Restrictions				
Satisfaction of Program Restrictions	52,142	(52,142)	-	-
Total Net Assets Released	<u>52,142</u>	<u>(52,142)</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>1,792,108</u>	<u>101,722</u>	<u>1,893,830</u>	<u>1,765,249</u>
Expenses				
Program Services	1,180,319	-	1,180,319	1,126,590
Supporting Services				
General and Administrative	136,397	-	136,397	156,913
Fundraising	360,330	-	360,330	357,677
Total Supporting Services	<u>496,727</u>	<u>-</u>	<u>496,727</u>	<u>514,590</u>
Total Expenses	<u>1,677,046</u>	<u>-</u>	<u>1,677,046</u>	<u>1,641,180</u>
Change in Net Assets	115,062	101,722	216,784	124,069
Net Assets at Beginning of Year	<u>560,021</u>	<u>41,674</u>	<u>601,695</u>	<u>477,626</u>
Net Assets at End of Year	<u>\$ 675,083</u>	<u>\$ 143,396</u>	<u>\$ 818,479</u>	<u>\$ 601,695</u>

See Notes to Financial Statements

LIFE NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2018
With Comparative Totals for 2017

	<u>Supporting Services</u>			<u>Total</u>	
	<u>Program</u>	<u>General and</u>		<u>2018</u>	<u>2017</u>
		<u>Administrative</u>	<u>Fundraising</u>		
Salaries and Benefits	\$ 636,431	\$ 77,404	\$ 146,207	\$ 860,042	\$ 838,730
Payroll Taxes	47,344	5,758	10,876	63,978	61,731
Health Insurance	23,353	262	2,624	26,239	22,691
Total Personnel Costs	707,128	83,424	159,707	950,259	923,152
Supplies	147,192	1,654	16,538	165,384	173,453
Food and Hospitality	37,506	872	48,845	87,223	46,948
Professional Fees for Service	32,703	19,195	19,195	71,093	70,957
Computer Network	32,476	10,628	15,943	59,047	52,835
Depreciation	48,002	1,618	4,315	53,935	69,491
Equipment and Maintenance	27,993	5,499	16,496	49,988	80,834
Printing	14,219	-	30,216	44,435	35,880
Development and Public Relations	32,296	1,309	10,038	43,643	21,807
Interest	33,302	1,123	2,993	37,418	38,040
Insurance	16,423	4,223	2,815	23,461	27,457
Occupancy	17,971	817	1,634	20,422	21,180
Bank and Credit Card Fees	1,184	1,523	14,211	16,918	21,579
Telephone	10,903	2,115	3,255	16,273	22,486
Postage and Shipping	1,576	98	8,173	9,847	10,835
Travel	6,504	203	68	6,775	5,868
Advertising and Promotion	592	118	5,205	5,915	5,050
Conferences and Training	5,504	351	-	5,855	5,410
Property Taxes	2,993	61	-	3,054	2,578
Memberships	769	1,394	240	2,403	3,538
Curriculum	1,820	-	-	1,820	1,186
Mission Support	1,091	-	70	1,161	616
Other	172	172	373	717	-
Total Expense - 2018	<u>\$ 1,180,319</u>	<u>\$ 136,397</u>	<u>\$ 360,330</u>	<u>\$ 1,677,046</u>	
Percent of Total - 2018	<u>70.4%</u>	<u>8.1%</u>	<u>21.5%</u>		
Total Expense - 2017	<u>\$ 1,126,590</u>	<u>\$ 156,913</u>	<u>\$ 357,677</u>		<u>\$ 1,641,180</u>
Percent of Total - 2017	<u>68.6%</u>	<u>9.6%</u>	<u>21.8%</u>		

See Notes to Financial Statements

LIFE NETWORK, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018
With Comparative Totals for 2017

	2018	2017
Cash Flows from Operations		
Change in Net Assets	\$ 216,784	\$ 124,069
Adjustments to Arrive at Net Cash Provided by Operating Activities		
Depreciation	53,935	69,491
Realized and Unrealized (Gain) on Investments	(102)	-
Change in		
Promises to Give	(20,854)	(56,732)
Inventory	633	7,990
Prepaid Expense	35,133	(38,067)
Accounts Payable	7,882	(3,819)
Accrued Expenses	(10,073)	10,794
Net Cash Provided by Operations	283,338	113,726
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(34,666)	(6,223)
Proceeds from Sale of Property and Equipment	8,000	-
Net Cash Used by Investing Activities	(26,666)	(6,223)
Cash Flows from Financing Activities		
Principal Payments on Notes Payable	(34,173)	(31,421)
Principal Payments on Capital Lease Obligations	(218)	-
Net Cash Used by Financing Activities	(34,391)	(31,421)
Net Change in Cash and Restricted Cash	222,281	76,082
Beginning Cash and Restricted Cash	364,924	288,842
Ending Cash and Restricted Cash	\$ 587,205	\$ 364,924

See Notes to Financial Statements

LIFE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significance accounting policies of Life Network, Inc. is presented to assist in understanding the financial statements.

Nature of Activities – Life Network, Inc. (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.

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.

Promises to Give – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Management does not book promises receivable except at year-end. Management closely monitors outstanding balances and establishes an allowance for doubtful accounts based on prior years' experience and management analysis of specific promises made. Management believes all outstanding promises to give for the year ended December 31, 2018, 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 – Life Network capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Life Network reports expirations of donor restrictions when the donated or acquired assets are placed in service. Life Network reclassifies net assets with restrictions to net assets without restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful life of the assets.

LIFE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 certain grantor) restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain 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 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.

Revenue and Revenue Recognition – Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 rate of \$70 per hour. Contributed services recognized in the financial statements totaled \$12,002 for 2018.

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 7,100 clients received assistance ranging from pregnancy testing and counseling to baby supplies. Over 7,500 students were reached with an abstinence message. In 2018, 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.

Contributions – Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions.

Income Tax Status – Life Network is exempt, under Section 501(c)(3) of the Internal Revenue Code, from tax on income derived from donations, income generated by activities carried on in furtherance of its exempt purpose and certain other specified income and, in addition, is qualified to receive tax deductible contributions.

Management believes that based on evaluation of its tax position, any liability as a result of uncertain tax positions would not be material. Management continually evaluates expiring statutes of limitations, changes in the tax laws, and new authoritative rulings to assist in evaluating its tax position. Accrued interest and penalties associated with uncertain tax positions, if any, would be recognized as part of the income tax position.

LIFE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising – Advertising costs are expensed as incurred. Advertising expense was \$2,635 for 2018.

Comparative Financial Information – The accompanying 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 a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with Life Network's audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. Specifically, special event income is reported gross on the statement of activities, special event expenses are reported as fundraising expenses on the statement of functional expense, and restricted cash is reported with unrestricted cash on the statement of cash flows. The reclassifications had no impact on previously reported net assets.

New Accounting Pronouncements – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Life Network has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

In November 2016, the FASB published ASU 2016-18, Statement of Cash Flows (Topic 230) - *Restricted Cash*. The update addresses the presentation of restricted cash balances to be included with the balance of unrestricted cash on the Statement of Cash Flows. In order to align the financial statement presentation with the most current pronouncements, Life Network has implemented an early adoption of the ASU and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

LIFE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – RESTRICTED 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, 2018, the balance in this account was \$168,597.

Cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows are as follows:

Cash	\$ 418,608
Restricted Cash - Building Improvement Reserves	168,597
Total Cash and Restricted Cash	<u>587,205</u>
Shown in the Statement of Cash Flows	<u>\$ 587,205</u>

NOTE 2 – AVAILABILITY AND LIQUIDITY

Life Network's goal is generally to maintain financial assets to meet 45 days of operating expenses (approximately \$280,000).

The following reflects Life Network's financial assets as of December 31, 2018, reduced by amounts not available to meet general expenditures within one year of the statement of financial position date because of loan covenant restrictions, and contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial Assets at Year end:	
Cash and Restricted Cash	\$ 587,205
Promises to Give	97,586
Total Financial Assets	<u>684,791</u>
Less Amounts not Available to Meet General Expenditures Within One Year:	
Cash Reserved for Building Improvement and Loan Covenant	168,597
Net Assets with Donor Restrictions	143,396
Less Net Assets with Restrictions to be Met in Less Than One Year:	
Purpose Restrictions	(11,810)
Time Restrictions	(97,586)
	<u>202,597</u>
Financial Assets Available to Meet General Expenditures	
Over the Next Twelve Months	<u>\$ 482,194</u>

LIFE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of:

Land	\$ 128,196
Building and Improvements	1,261,543
Furniture and Equipment	190,016
Property Held Under Capital Lease	9,128
Total Cost	<u>1,588,883</u>
Less Accumulated Depreciation	<u>(695,235)</u>
Net Property and Equipment	<u>\$ 893,648</u>

Depreciation expense for 2018 was \$53,935.

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. \$ 465,051

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. 294,899

Total Notes Payable 759,950

Less Current Portion 34,352

Long-term Portion of Notes Payable \$ 725,598

LIFE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – NOTES PAYABLE - Continued

Future scheduled maturities of long-term debt are:

<u>Years Ending December 31,</u>		
2019	\$	34,352
2020		35,793
2021		37,654
2022		39,507
2023		41,453
Thereafter		<u>571,191</u>
Total	\$	<u><u>759,950</u></u>

NOTE 5 – CAPITAL LEASE

In November of 2018, office equipment was acquired under a capital lease agreement for 36 months, and payments of \$109 per month. Payments under the lease agreement totaled \$218 for 2018. The office equipment is being depreciated over 5 years. The total cost of the equipment acquired under the capital lease is \$3,934.

Future minimum lease payments are:

<u>Years ending December 31,</u>		
2019	\$	1,311
2020		1,311
2021		<u>1,094</u>
Total Minimum Lease Payments		3,716
Less Current Portion		<u>(1,311)</u>
	\$	<u><u>2,405</u></u>

Accumulated depreciation and depreciation expense for the leased equipment was \$131 for the year ended December 31, 2018.

NOTE 6 – STATEMENT OF CASH FLOWS

Life Network entered into a capital lease for equipment with a cost of \$3,934 during 2018.

Life Network paid cash of \$37,418 in interest expense during 2018.

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

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

LIFE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – RETIREMENT PLAN

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 2018, the plan resulted in \$13,676 of pension expense.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net asset with donor restrictions activity consists of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Released</u>	<u>Ending Balance</u>
Grant (Social Media, Medical Support and Supplies)	\$ 41,674	\$ 34,000	\$ (29,864)	\$ 45,810
Ultrasound Machine Purchase	-	21,200	(21,200)	-
Cabinet Purchase	-	1,078	(1,078)	-
Time (Promises to Give)	-	97,586	-	97,586
Total	<u>\$ 41,674</u>	<u>\$ 153,864</u>	<u>\$ (52,142)</u>	<u>\$ 143,396</u>

NOTE 10 – DONATED PROFESSIONAL SERVICES AND MATERIALS

Life Network received donated professional services and materials as follows during the year ended December 31, 2018:

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Medical Professional Services	\$ 12,002	\$ -	\$ -	\$ 12,002
Inventory Supplies	104,628	-	-	104,628
Window Replacement	-	898	-	898
Printing	1,474	-	3,133	4,607
Landscaping	-	3,700	-	3,700
	<u>\$ 118,104</u>	<u>\$ 4,598</u>	<u>\$ 3,133</u>	<u>\$ 125,835</u>

The inventory supplies received during 2018 are recorded as inventory on the statement of financial position.

NOTE 11 – 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 2018, approximately 28% of total contributions were from three donors.

During 2018, approximately 34% of total public support was from fund-raising events.

LIFE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – RELATED PARTY TRANSACTIONS

During 2018, members of the board of directors and management contributed \$11,735 to Life Network.

During 2018, Life Network made payments totaling \$23,664 to a company owned by a board member and received in-kind contributions totaling \$4,607 from the same company.

NOTE 13 – ALLOCATION OF FUNCTIONAL EXPENSE

The financial statements report certain categories of expense that are attributable to one or more program or supporting functions of Life Network. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on a building square footage basis include building depreciation, building interest, utilities, maintenance, and insurance. The expenses that are allocated, based on usage by the number of staff, are phone service, computer system maintenance, food and hospitality, and office supplies. The expenses that are allocated based on estimates of time and effort are wages and related personnel expenses.

NOTE 14 – INFORMATION RETURNS

Life Network's Forms 990 and 990-T 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, 2018, 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, 2018, Life Network had no tax obligation liability.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 22, 2019, 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, 2018
With Comparative Totals for 2017

	<u>Supporting Services</u>			<u>Total</u>	
	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2018</u>	<u>2017</u>
Salaries and Benefits	\$ 636,431	\$ 77,404	\$ 146,207	\$ 860,042	\$ 838,730
Payroll Taxes	47,344	5,758	10,876	63,978	61,731
Health Insurance	23,353	262	2,624	26,239	22,691
Total Personnel Costs	707,128	83,424	159,707	950,259	923,152
Supplies	147,192	1,654	16,538	165,384	173,453
Food and Hospitality	37,506	872	48,845	87,223	46,948
Professional Fees for Service	32,703	19,195	19,195	71,093	70,957
Computer Network	32,476	10,628	15,943	59,047	52,835
Depreciation	48,002	1,618	4,315	53,935	69,491
Equipment and Maintenance	27,993	5,499	16,496	49,988	80,834
Printing	14,219	-	30,216	44,435	35,880
Development and Public Relations	32,296	1,309	10,038	43,643	21,807
Interest	33,302	1,123	2,993	37,418	38,040
Insurance	16,423	4,223	2,815	23,461	27,457
Occupancy	17,971	817	1,634	20,422	21,180
Bank and Credit Card Fees	1,184	1,523	14,211	16,918	21,579
Telephone	10,903	2,115	3,255	16,273	22,486
Postage and Shipping	1,576	98	8,173	9,847	10,835
Travel	6,504	203	68	6,775	5,868
Advertising and Promotion	592	118	5,205	5,915	5,050
Conferences and Training	5,504	351	-	5,855	5,410
Property Taxes	2,993	61	-	3,054	2,578
Memberships	769	1,394	240	2,403	3,538
Curriculum	1,820	-	-	1,820	1,186
Mission Support	1,091	-	70	1,161	616
Other	172	172	373	717	-
Total Expense	<u>1,180,319</u>	<u>136,397</u>	<u>360,330</u>	<u>1,677,046</u>	<u>1,641,180</u>
Estimated Value of Program Volunteers	<u>115,785</u>	<u>9,765</u>	<u>13,950</u>	<u>139,500</u>	<u>140,009</u>
Total with Estimated Value of Program Volunteers	<u>\$ 1,296,104</u>	<u>\$ 146,162</u>	<u>\$ 374,280</u>	<u>\$ 1,816,546</u>	<u>\$ 1,781,189</u>