

Life NETWORK

LIFE NETWORK, INC.

Financial Statements
With Independent Auditors' Report

December 31, 2021

LIFE NETWORK, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Life Network, Inc., which comprise the statement of financial position as of December 31, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Life Network Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Life Network Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Life Network, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Life Network, Inc's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Colorado Springs, Colorado
May 10, 2022

LIFE NETWORK, INC.

Statement of Financial Position

December 31, 2021

ASSETS:

Cash and cash equivalents	\$ 2,432,115
Prepaid expenses and other assets	66,889
Pledge receivable	30,000
Gift-in-kind inventory	129,581
Property and equipment—net	<u>1,399,505</u>

Total Assets \$ 4,058,090

LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable and other liabilities	\$ 73,205
Accrued expenses	111,412
Note payable	<u>396,114</u>
Total liabilities	<u>580,731</u>

Net assets:

Without donor restrictions:

Operating	3,353,246
Board designated	<u>38,500</u>
	<u>3,391,746</u>

With donor restrictions 85,613

Total net assets 3,477,359

Total Liabilities and Net Assets \$ 4,058,090

See notes to financial statements

LIFE NETWORK, INC.

Statement of Activities

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Tithes and offerings	\$ 1,985,847	\$ 367,313	\$ 2,353,160
Special events	1,052,306	-	1,052,306
Gift-in-kind contributions	652,658	-	652,658
Thrift store sales revenue	514,119	-	514,119
Grants	-	449,489	449,489
Program and other income	60,119	-	60,119
Donated services	37,083	-	37,083
Total Revenue and Support	4,302,132	816,802	5,118,934
NET ASSETS RELEASED:			
From purpose restrictions	856,969	(856,969)	-
EXPENSES:			
Program services:			
Thrift store	985,389	-	985,389
Outreach	2,011,549	-	2,011,549
	2,996,938	-	2,996,938
Supporting activities:			
General and administrative	212,752	-	212,752
Fundraising	462,033	-	462,033
	674,785	-	674,785
Total Expenses	3,671,723	-	3,671,723
Change in Net Assets	1,487,378	(40,167)	1,447,211
Net Assets, Beginning of Year	1,904,368	125,780	2,030,148
Net Assets, End of Year	\$ 3,391,746	\$ 85,613	\$ 3,477,359

See notes to financial statements

LIFE NETWORK, INC.

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services:			Supporting Activities:			Total
	Thrift Store	Outreach	Total Program Services	General and Administrative	Fundraising	Total Supporting Activities	
Salaries and benefits	\$ 207,297	\$ 1,090,555	\$ 1,297,852	\$ 136,600	\$ 183,928	\$ 320,528	\$ 1,618,380
Cost of goods sold	542,873	89,283	632,156	-	-	-	632,156
Facilities	167,281	161,057	328,338	19,736	15,229	34,965	363,303
Occupancy and office expense	41,538	94,852	136,390	27,601	76,159	103,760	240,150
Events and conferences	-	148,426	148,426	997	77,072	78,069	226,495
Professional services	-	181,406	181,406	3,666	19,670	23,336	204,742
Advertising, publications, and other	23,292	57,720	81,012	-	65,914	65,914	146,926
Depreciation	-	53,444	53,444	8,907	8,907	17,814	71,258
Curriculum and program supplies	-	62,500	62,500	-	-	-	62,500
Other	-	21,278	21,278	4,743	7,287	12,030	33,308
Interest	-	24,840	24,840	4,140	4,140	8,280	33,120
Food and hospitality	3,108	22,555	25,663	2,155	3,239	5,394	31,057
Travel	-	3,633	3,633	4,207	488	4,695	8,328
	<u>\$ 985,389</u>	<u>\$ 2,011,549</u>	<u>\$ 2,996,938</u>	<u>\$ 212,752</u>	<u>\$ 462,033</u>	<u>\$ 674,785</u>	<u>\$ 3,671,723</u>

See notes to financial statements

LIFE NETWORK, INC.

Statement of Cash Flows

For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 1,447,211
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	71,258
Loss on disposal of property and equipment	6,096
Change in operating assets and liabilities:	
Prepaid expenses and other assets	(27,018)
Pledge receivable	3,405
Gift-in-kind inventory	(10,993)
Accounts payable and other liabilities	34,033
Accrued expenses	32,843
Net Cash Provided by Operating Activities	<u>1,556,835</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(606,459)
Net Cash Used by Investing Activities	<u>(606,459)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on notes payable	(297,015)
Net Cash Used by Financing Activities	<u>(297,015)</u>

Net Change in Cash and Cash Equivalents 653,361

Cash and Cash Equivalents, Beginning of Year 1,778,754

Cash and Cash Equivalents, End of Year \$ 2,432,115

SUPPLEMENTAL DISCLOSURE:

Cash paid for interest \$ 33,120

See notes to financial statements

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2021

1. NATURE OF ORGANIZATION:

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. Life Network also operates the Family Thrift Store, located in Colorado Springs, Colorado.

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 relationships, healthy sexuality education, and suicide prevention messages to the Colorado Springs community.

Life Network is operated as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), and comparable state laws. However, Life Network is subject to federal income tax on any unrelated business taxable income. Life Network is not a private foundation under Section 509(a) of the IRC. Life Network's primary source of support and revenue is from contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Life Network maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents contain checking accounts, savings accounts, and highly liquid investments with original maturities of three months or less. As of December 31, 2021, the amount exceeding the federally insured limits was approximately \$1,728,000. Life Network has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

PLEDGE RECEIVABLE

Pledge receivable consists of the portion of the matching gift campaign that had not yet been received as of December 31, 2021. Subsequent to the year ended December 31, 2021, the outstanding amount was received; therefore, no allowance for doubtful accounts was recorded as of December 31, 2021.

GIFT-IN-KIND INVENTORY

Gift-in-kind inventory consist of donated merchandise, such as clothing and miscellaneous items, the majority of which is sold in the thrift store. It also consist of items donated for the baby boutique, which are then donated to mothers in need. All such inventory is recorded at its estimated fair value at the date of the donation and reported at its carrying amount thereafter.

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT—NET

Property and equipment is recorded at cost. Donated items are recorded at their fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives (currently three to forty years) of the related assets. Life Network capitalizes fixed asset purchases exceeding \$2,500, with lesser amounts expensed in the year purchased.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets as follows:

Net assets without donor restrictions are those currently available at the discretion of management for use in Life Network's operations and those resources designated by the board for specific purposes or projects. As of December 31, 2021, the board has designated \$38,500 for contingencies.

Net assets with donor restrictions are restricted by donors for specific operating purposes or until time restrictions have been met.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Life Network reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Life Network reports expirations of donor restrictions when the donated long-lived assets are placed in service. Special events consist of contributions related to two special events, the Walk and the Gala.

Gift-in-kind contributions consist of donated merchandise, such as clothing, and baby and miscellaneous items, which is sold in the thrift store and given to mothers in need. All contributions are recorded at the estimated fair value at the date of the donation and reported at the carrying amount thereafter. The actual sale price is used to determine, measure, and record fair value of these contributions.

Thrift store sales consist of product sales and are recognized when the products are sold, net of returns and discounts. The majority of these sales represent sales of the items that were donated and recognized as gift-in-kind contributions. While the contributions and sales are related to the same product, this is in accordance with accounting principles generally accepted and would have to be purchased by Life Network if they were not donated.

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE, continued

Program and other income mainly consists of conference and event income, which is recorded when the event or conference occurs, upon satisfaction of the performance obligation.

Donated services consist of volunteer nurses and doctors who donate their time and expertise to provide medical care to clients of Life Network. These services are recorded at a rate of \$70 per hour and recognized when the service is provided. Only professional services are recorded at their estimated fair market values. For all other donated services Life Network does not record contribution revenue as these services do not meet the criteria to be recorded under accounting standards. However, 590 volunteers have donated approximately 19,000 volunteer hours to the programs of Life Network, that don't meet the definition of contributed services for recording purposes.

Expenses are reported when costs are incurred in accordance with the accrual basis of accounting.

FUNCTIONAL ALLOCATION OF EXPENSES

The statements of activities and functional expenses report certain categories of expenses that are attributable to program or support activities of Life Network. These expenses include facility costs and depreciation and amortization, which are allocated based on square footage occupancy. Salaries and benefits are allocated based on time and effort, and costs of other categories are allocated based on the purpose of the expense.

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects Life Network's financial assets as of December 31, 2021 reduced by amounts not available for general use because of contractual, donor-imposed restrictions, or board designations within one year of the statement of financial position date:

Financial Assets:	
Cash and cash equivalents	\$ 2,432,115
Grant receivable	<u>30,000</u>
Less those unavailable for general expenditures within one year due to:	
Board designated for specific purposes	<u>(38,500)</u>
	<u><u>\$ 2,423,615</u></u>

Life Network structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Life Network's goal is to maintain financial assets to meet 45 days of operating expenses. Management monitors cash flows closely through board meetings and detailed financial analysis.

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2021

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net, as of December 31, 2021 consists of:

Land	\$	166,211
Buildings and improvements		1,810,611
Furniture and equipment		127,328
		<hr/> 2,104,150
Less accumulated depreciation		(704,645)
	\$	<hr/> <hr/> 1,399,505

5. NOTE PAYABLE:

Note payable as of December 31, 2021 consists of a note payable to a financial institution secured by a deed of trust with interest that was amended to 4.5% rate during the year ended December 31, 2021. Principal and interest payments of \$3,533 are due monthly. A balloon payment will be due at maturity in May 2024. The balance as of December 31, 2021 was \$396,114.

Future minimum principal payments are:

<u>Year Ending December 31,</u>		
2022	\$	24,600
2023		25,746
2024		345,768
		<hr/> \$ 396,114

6. OPERATING LEASE:

Life Network leases retail space for their thrift store through October 2023, with an option to extend through October 2029. Monthly payments increase each year and include common area maintenance fees. Rent payments for the year ended December 31, 2021 were \$151,265. Future minimum lease payments are:

<u>Year Ending December 31,</u>		
2022	\$	139,839
2023		144,034
		<hr/> \$ 283,873

7. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions as of December 31, 2021 totals \$85,613, consisting of a time restricted pledge receivable for \$30,000 and other contributions restricted for a grant, medical support, supplies, and other programs for \$55,613.

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2021

8. RETIREMENT PLAN:

Life Network offers employees a SIMPLE IRA plan, and has elected to contribute matching contributions of up to 3% of their qualifying employee compensation for the year ended December 31, 2021. Employer contributions are immediately vested upon contribution. The employer match for the year ended December 31, 2021 was \$13,801.

9. JOINT COSTS:

Accounting standards require all costs which contain any fundraising appeal to be allocated to fundraising unless all of the following three tests are met: purpose, audience, and content. Life Network incurs costs for their Gala event that include fundraising functions. These costs are referred to as joint costs and are allocated to program services and fundraising. Joint cost allocations for the year ending December 31, 2021, are:

Program services	\$	113,583
Fundraising		<u>50,917</u>
	\$	<u><u>164,500</u></u>

10. RISKS AND UNCERTAINTIES:

In March 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the world. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Life Network for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

11. SUBSEQUENT EVENTS:

Subsequent events were evaluated through May 10, 2022, which is the date the financial statements were available to be issued.