

Life NETWORK

LIFE NETWORK, INC.

Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

LIFE NETWORK, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses – Year Ended December 31, 2022	5
Statement of Functional Expenses – Year Ended December 31, 2021	6
Statements of Cash Flows	7
Notes to Financial Statements	8

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 statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years 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, 2022 and 2021, and the changes in its net assets and cash flows for the years 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.

Emphasis of Matter

Life Network, Inc. has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-02, *Leases*, as described in Note 2. This had a material effect on the presentation of the December 31, 2022 financial statements. Our opinion is not modified with respect to this matter.

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 15, 2023

LIFE NETWORK, INC.

Statements of Financial Position

	December 31,	
	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash and cash equivalents	\$ 2,568,876	\$ 2,393,615
Prepaid expenses and other assets	67,889	66,889
Pledge receivable	-	30,000
Grant receivable	27,076	-
Designated cash	1,090,500	38,500
Gift-in-kind inventory	192,902	129,581
Operating lease—right-of-use asset	560,825	-
Property and equipment—net	<u>1,473,028</u>	<u>1,399,505</u>
Total Assets	<u>\$ 5,981,096</u>	<u>\$ 4,058,090</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and other liabilities	\$ 149,406	\$ 73,205
Accrued expenses	126,351	111,412
Operating lease obligations	560,267	-
Note payable	-	396,114
Total liabilities	<u>836,024</u>	<u>580,731</u>
Net assets:		
Without donor restrictions:		
Operating	4,054,572	3,353,246
Board designated	<u>1,090,500</u>	<u>38,500</u>
	5,145,072	3,391,746
With donor restrictions	-	85,613
Total net assets	<u>5,145,072</u>	<u>3,477,359</u>
Total Liabilities and Net Assets	<u>\$ 5,981,096</u>	<u>\$ 4,058,090</u>

See notes to financial statements

LIFE NETWORK, INC.

Statements of Activities

For the Year Ended December 31,

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Donations	\$ 2,512,110	\$ 57,446	\$ 2,569,556	\$ 1,985,847	\$ 367,313	\$ 2,353,160
Special events	1,316,586	-	1,316,586	1,052,306	-	1,052,306
Gift-in-kind contributions	814,113	-	814,113	652,658	-	652,658
Thrift store sales revenue	614,866	-	614,866	514,119	-	514,119
Grants	18,000	490,750	508,750	-	449,489	449,489
Donated services	79,009	-	79,009	37,083	-	37,083
Program and other income	70,290	-	70,290	60,119	-	60,119
Total Revenue and Support	5,424,974	548,196	5,973,170	4,302,132	816,802	5,118,934
NET ASSETS RELEASED:						
From purpose restrictions	633,809	(633,809)	-	856,969	(856,969)	-
EXPENSES:						
Program services:						
Thrift store	1,215,976	-	1,215,976	985,389	-	985,389
Outreach	2,344,953	-	2,344,953	2,011,549	-	2,011,549
	3,560,929	-	3,560,929	2,996,938	-	2,996,938
Supporting activities:						
General and administrative	214,046	-	214,046	212,752	-	212,752
Fundraising	530,482	-	530,482	462,033	-	462,033
	744,528	-	744,528	674,785	-	674,785
Total Expenses	4,305,457	-	4,305,457	3,671,723	-	3,671,723
Change in Net Assets	1,753,326	(85,613)	1,667,713	1,487,378	(40,167)	1,447,211
Net Assets, Beginning of Year	3,391,746	85,613	3,477,359	1,904,368	125,780	2,030,148
Net Assets, End of Year	<u>\$ 5,145,072</u>	<u>\$ -</u>	<u>\$ 5,145,072</u>	<u>\$ 3,391,746</u>	<u>\$ 85,613</u>	<u>\$ 3,477,359</u>

See notes to financial statements

LIFE NETWORK, INC.

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services:			Supporting Activities:			Total
	Thrift Store	Outreach	Total Program Services	General and Administrative	Fundraising	Total Supporting Activities	
Salaries and benefits	\$ 279,716	\$ 1,330,596	\$ 1,610,312	\$ 137,635	\$ 218,422	\$ 356,057	\$ 1,966,369
Cost of goods sold	653,062	61,872	714,934	-	-	-	714,934
Facilities	196,378	105,299	301,677	21,218	20,867	42,085	343,762
Professional services	12,000	241,438	253,438	5,269	25,840	31,109	284,547
Occupancy and office expense	45,212	143,690	188,902	24,778	88,050	112,828	301,730
Events and conferences	69	159,687	159,756	848	65,374	66,222	225,978
Advertising, publications, and other	21,129	87,745	108,874	-	92,976	92,976	201,850
Depreciation	-	66,633	66,633	11,106	11,106	22,212	88,845
Curriculum and program supplies	5,513	82,992	88,505	-	-	-	88,505
Food and hospitality	2,897	23,142	26,039	7,086	3,602	10,688	36,727
Travel	-	17,860	17,860	1,503	1,480	2,983	20,843
Other	-	15,216	15,216	3,139	1,301	4,440	19,656
Interest	-	8,783	8,783	1,464	1,464	2,928	11,711
	\$ 1,215,976	\$ 2,344,953	\$ 3,560,929	\$ 214,046	\$ 530,482	\$ 744,528	\$ 4,305,457

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
Professional services	-	181,406	181,406	3,666	19,670	23,336	204,742
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
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
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
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
	\$ 985,389	\$ 2,011,549	\$ 2,996,938	\$ 212,752	\$ 462,033	\$ 674,785	\$ 3,671,723

See notes to financial statements

LIFE NETWORK, INC.

Statements of Cash Flows

	For the Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,667,713	\$ 1,447,211
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	88,845	71,258
Loss on disposal of property and equipment	16,622	6,096
Non-cash effect of change in accounting principle	(558)	-
Change in operating assets and liabilities:		
Prepaid expenses and other assets	(1,000)	(27,018)
Pledge receivable	30,000	3,405
Grant receivable	(27,076)	-
Gift-in-kind inventory	(63,321)	(10,993)
Accounts payable and other liabilities	19,639	34,033
Accrued expenses	14,939	32,843
Net Cash Provided by Operating Activities	<u>1,745,803</u>	<u>1,556,835</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(122,428)	(606,459)
Net Cash Used by Investing Activities	<u>(122,428)</u>	<u>(606,459)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(396,114)	(297,015)
Net Cash Used by Financing Activities	<u>(396,114)</u>	<u>(297,015)</u>
Net Change in Cash, Cash Equivalents, and Designated Cash	1,227,261	653,361
Cash, Cash Equivalents, and Designated Cash, Beginning of Year	<u>2,432,115</u>	<u>1,778,754</u>
Cash, Cash Equivalents, and Designated Cash, End of Year	<u>\$ 3,659,376</u>	<u>\$ 2,432,115</u>
CASH, CASH EQUIVALENTS, AND DESIGNATED CASH CONSIST OF:		
Cash and cash equivalents	\$ 2,568,876	\$ 2,393,615
Designated cash	<u>1,090,500</u>	<u>38,500</u>
	<u>\$ 3,659,376</u>	<u>\$ 2,432,115</u>
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	\$ 11,711	\$ 33,120
Right-of-use assets obtained in exchange for operating lease obligations	\$ 680,645	\$ -
Additions of property and equipment in accounts payable	\$ 56,562	\$ -

See notes to financial statements

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2022 and 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 and Education for a Lifetime. 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, CASH EQUIVALENTS, AND DESIGNATED CASH

Cash, cash equivalents, and designated cash contain checking accounts, savings accounts, and highly liquid investments with original maturities of three months or less. As of December 31, 2022 and 2021, the amount exceeding the federally insured limits was approximately \$3,452,000 and \$1,728,000, respectively. Designated cash consists of amounts set aside by the board for specific projects.

PLEDGE RECEIVABLE

Pledge receivable consisted 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.

GRANT RECEIVABLE

Grant receivable consists of funds that were spent as part of a reimbursable grant that have not yet been reimbursed at year end. Subsequent to December 31, 2022, the outstanding amount was received; therefore, no allowance for doubtful accounts was recorded as of December 31, 2022.

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 consists 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.

OPERATING LEASE–RIGHT OF USE ASSETS AND OBLIGATIONS

Life Network adopted Accounting Standards Update (ASU) 2016-02 (see recently adopted accounting standard below) and its related amendments as of January 1, 2022, which resulted in the recognition of operating lease right-of-use assets totaling \$560,825 as of December 31, 2022, as well as operating lease obligations totaling \$560,267. Life Network elected to adopt the transition relief provisions from ASU 2018-11 and recorded the impact of adoption as of January 1, 2022 without restating any prior-year amounts. The additional lease disclosures can be found in Note 5.

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. Board designated funds consisted of:

	December 31,	
	2022	2021
Building fund	\$ 1,000,000	\$ -
Budget reserves	52,000	-
Contingency fund	38,500	38,500
	<u>\$ 1,090,500</u>	<u>\$ 38,500</u>

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

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Donations 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 donations 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 used in the ministry. 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 or the wholesale values for similar products in the United States are used to determine, measure, and record fair value of these contributions. No donor imposed restrictions were associated with these contributed assets. See Note 10 for the major categories of Gift-in-kind 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.

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 \$75 per hour and recognized when the service is provided. Donated services also consisted of facility improvements that were made during the year. These facility improvements were valued based on the actual rates the vendor would normally charge. Only professional services are recorded at their estimated fair market values. See Note 10 for the major categories of donated services. 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, of the total 469 volunteers across all programs of Life Network, there were over 29,000 volunteer hours that didn'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.

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In fiscal year 2022, Life Network adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

In 2016, Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842 of the ASC). The amendments in this update require organizations that lease assets to recognize on the consolidated statements of financial position the assets and liabilities for the rights and obligations created by the leases. The amendments are effective for fiscal years beginning after December 15, 2021. Life Network's' contracts contain the right to control the use of property or asset and is therefore considered a lease. Life Network elected to adopt the transition relief provisions from ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements* and recorded the impact of adoption as of January 1, 2022, without restating any prior-year amounts. Life Network also elected to exclude leases with terms of less than 12 months. The additional lease disclosures can be found in Note 5. The non-cash effect of the change in accounting principle to the opening balance of net assets totaled \$588 and was adjusted through facilities on the consolidated statements of activities and statements of functional expenses.

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2022 and 2021

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects Life Network's financial assets 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:

	December 31,	
	2022	2021
Financial Assets:		
Cash and cash equivalents	\$ 2,568,876	\$ 2,393,615
Pledge receivable	-	30,000
Grant receivable	27,076	-
Designated cash	1,090,500	38,500
Less those unavailable for general expenditures within one year due to:		
Board designated for specific purposes	(1,090,500)	(38,500)
	<u>\$ 2,595,952</u>	<u>\$ 2,423,615</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 60 days of operating expenses. Management monitors cash flows closely through board meetings and detailed financial analysis.

4. GIFT-IN-KIND INVENTORY:

Gift-in-kind inventory included in the financial statements consists of:

	December 31,	
	2022	2021
Clothing	\$ 64,188	\$ 38,189
Baby blankets, clothing, toys, and books	48,573	44,645
Baby formula, diapers, and wipes	30,820	27,406
Books, media, and games	22,587	6,673
Shoes and accessories	16,464	8,071
Furniture and hardware	7,765	2,920
Linens and other	2,505	1,677
	<u>\$ 192,902</u>	<u>\$ 129,581</u>

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2022 and 2021

5. OPERATING LEASE–RIGHT-OF-USE ASSETS AND OBLIGATIONS:

Life Network leases office space under a noncancelable operating lease. This lease had an original maturity date in 2023 that contains an option for renewal for an additional 3 years expiring in 2026. As of December 31, 2022, this additional term is included in the operating lease calculations as management expects to exercise this extension. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term as of adoption date. Monthly payments under this lease totals \$11,258 with an annual 3% increase in payment amounts and a discount rate of 1.37%.

	<u>December 31, 2022</u>
Operating lease right-of-use assets	\$ 560,825
Operating lease liabilities	\$ 560,267
Operating lease costs	\$ 150,328
Short-term lease costs	\$ 6,402
Weighted-average discount rate	1.37%
Weighted-average remaining lease term	3.72 years

Future minimum lease payments required under the operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 144,034
2024	148,355
2025	152,806
2026	130,506
	<u>575,701</u>
Less imputed interest	<u>(15,434)</u>
	<u>\$ 560,267</u>

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2022 and 2021

6. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net, consists of:

	December 31,	
	2022	2021
Land	\$ 166,211	\$ 166,211
Buildings and improvements	1,936,330	1,810,611
Furniture and equipment	151,056	127,328
	<u>2,253,597</u>	<u>2,104,150</u>
Less accumulated depreciation	<u>(780,569)</u>	<u>(704,645)</u>
	<u>\$ 1,473,028</u>	<u>\$ 1,399,505</u>

7. NOTE PAYABLE:

Note payable consisted 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 were due monthly. The debt balance was paid off during the year ended December 31, 2022.

8. OPERATING LEASE:

Prior to the adoption of ASUs 2016-02 and 2018-11 under Topic 842 as described in Note 2, Life Network was applying Topic 840 in relation to operating leases. For the comparable period Life Network had operating lease expenses of \$151,265 during the year ended December 31, 2021.

9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions as of December 31, 2021 was \$85,613, that consisted 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. There were no net assets with donor restrictions as of December 31, 2022.

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2022 and 2021

10. GIFT-IN-KIND CONTRIBUTIONS AND DONATED SERVICES:

Major categories of gift-in-kind contributions consist of:

	Year Ended December 31,	
	2022	2021
Clothing	\$ 394,015	\$ 295,717
Books, media, and games	113,055	90,691
Furniture and hardware	104,691	56,639
Shoes and accessories	90,263	80,359
Baby blankets, clothing, toys, and books	44,227	72,946
Linens and other	42,876	29,753
Baby formula, diapers, and wipes	24,986	26,553
	<u>\$ 814,113</u>	<u>\$ 652,658</u>

Donated services consist of:

	Year Ended December 31,	
	2022	2021
Medical services	\$ 58,127	\$ 37,083
Other professional services	20,882	9,508
	<u>\$ 79,009</u>	<u>\$ 46,591</u>

11. 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 years ended December 31, 2022 and 2021. Employer contributions are immediately vested upon contribution. The employer match for the years ended December 31, 2022 and 2021 was \$15,050 and \$13,801, respectively.

LIFE NETWORK, INC.

Notes to Financial Statements

December 31, 2022 and 2021

12. 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 are:

	Year Ending December 31,	
	2022	2021
Program services	\$ 104,613	\$ 113,583
Fundraising	46,895	50,917
	<u>\$ 151,508</u>	<u>\$ 164,500</u>

13. SUBSEQUENT EVENTS:

Subsequent events were evaluated through May 15, 2023, which is the date the financial statements were available to be issued.