



*LIFE NETWORK, INC.*

*FINANCIAL STATEMENTS*

*AND*

*ADDITIONAL INFORMATION*

*WITH*

*INDEPENDENT AUDITORS' REPORT*

*DECEMBER 31, 2019*

**OSBORNE, PARSONS & ROSACKER, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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**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

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, 2019, 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, 2019, 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.

**Emphasis of Matter**

*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) 2014-09, Revenue from Contracts with Customers (Topic 606), and ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

**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 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Osborne, Parsons & Noracher LLP*

Colorado Springs, Colorado  
September 21, 2020

**LIFE NETWORK, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
**With Comparative Totals for 2018**

<b>ASSETS</b>		<b>2019</b>	<b>2018</b>
		<u>          </u>	<u>          </u>
<b>Current Assets</b>			
Cash	\$	727,347	\$ 516,194
Inventory - Program		62,033	65,702
Inventory - Thrift Store		47,687	-
Prepaid Expenses		12,146	8,829
<b>Total Current Assets</b>		<u>849,213</u>	<u>590,725</u>
<b>Non-current Assets</b>			
Restricted Cash - Building Improvement Reserves		132,605	168,597
Property and Equipment, Net		911,028	893,648
Security Deposit		25,000	-
<b>Total Assets</b>	<b>\$</b>	<u><u>1,917,846</u></u>	<u><u>\$ 1,652,970</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$	28,703	\$ 11,200
Accrued Expenses		46,722	59,625
Current Portion of Notes Payable		33,609	34,352
Obligations Under Capital Lease, Current Portion		1,311	1,311
<b>Total Current Liabilities</b>		<u>110,345</u>	<u>106,488</u>
<b>Non-current Liabilities</b>			
Notes Payable, Net of Current Portion		693,178	725,598
Obligations Under Capital Lease, Net of Current Portion		1,093	2,405
<b>Total Liabilities</b>		<u>804,616</u>	<u>834,491</u>
<b>Net Assets</b>			
Without Donor Restrictions		1,057,360	675,083
With Donor Restrictions		55,870	143,396
<b>Total Net Assets</b>		<u>1,113,230</u>	<u>818,479</u>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<u><u>1,917,846</u></u>	<u><u>\$ 1,652,970</u></u>

See Notes to Financial Statements

**LIFE NETWORK, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**  
**With Comparative Totals for 2018**

	Without Donor	With Donor	Total	
	Restrictions	Restrictions	2019	2018
<b>Public Support and Revenue</b>				
<b>Public Support</b>				
Contributions	\$ 1,294,609	\$ 6,141	\$ 1,300,750	\$ 1,075,105
Grants	2,500	53,500	56,000	34,000
Special Events	739,612	-	739,612	636,734
Donated Services	28,228	-	28,228	12,002
In-kind Contributions	94,111	-	94,111	113,833
Total Public Support	<u>2,159,060</u>	<u>59,641</u>	<u>2,218,701</u>	<u>1,871,674</u>
<b>Revenue</b>				
Family Thrift Store Revenue:				
Contributions of Merchandise	99,595	-	99,595	-
Sales of Contributed Merchandise	48,253	-	48,253	-
Less: Value of Merchandise Sold	(51,908)	-	(51,908)	-
Net Family Thrift Store Revenue	<u>95,940</u>	<u>-</u>	<u>95,940</u>	<u>-</u>
Program Fees	645	-	645	-
Investment Return	1,588	-	1,588	1,217
Gain on Disposal of Property Assets	-	-	-	102
Rent Revenue	21,150	-	21,150	19,060
Other Revenue	5,517	-	5,517	1,777
Total Revenue	<u>124,840</u>	<u>-</u>	<u>124,840</u>	<u>22,156</u>
Net Assets Released from Restrictions				
Satisfaction of Program Restrictions	49,581	(49,581)	-	-
Satisfactions of Time Restrictions	97,586	(97,586)	-	-
Total Net Assets Released	<u>147,167</u>	<u>(147,167)</u>	<u>-</u>	<u>-</u>
<b>Total Public Support and Revenue</b>	<u>2,431,067</u>	<u>(87,526)</u>	<u>2,343,541</u>	<u>1,893,830</u>
<b>Expenses</b>				
Program Services	1,421,170	-	1,421,170	1,180,319
Supporting Services				
General and Administrative	181,428	-	181,428	136,397
Fundraising Activities	446,192	-	446,192	360,330
Total Supporting Services	<u>627,620</u>	<u>-</u>	<u>627,620</u>	<u>496,727</u>
<b>Total Expenses</b>	<u>2,048,790</u>	<u>-</u>	<u>2,048,790</u>	<u>1,677,046</u>
<b>Change in Net Assets</b>	382,277	(87,526)	294,751	216,784
<b>Net Assets at Beginning of Year</b>	<u>675,083</u>	<u>143,396</u>	<u>818,479</u>	<u>601,695</u>
<b>Net Assets at End of Year</b>	<u>\$ 1,057,360</u>	<u>\$ 55,870</u>	<u>\$ 1,113,230</u>	<u>\$ 818,479</u>

See Notes to Financial Statements

**LIFE NETWORK, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSE**  
**YEAR ENDED DECEMBER 31, 2019**  
**With Comparative Totals for 2018**

	<b>Supporting Services</b>			<b>Total</b>	
	<b>Program</b>	<b>General and</b>		<b>2019</b>	<b>2018</b>
		<b>Administrative</b>	<b>Fundraising</b>		
Salaries and Benefits	\$ 755,320	\$ 58,102	\$ 154,937	\$ 968,359	\$ 860,042
Payroll Taxes	56,241	4,326	11,537	72,104	63,978
Health Insurance	8,343	33,813	1,757	43,913	26,239
Total Personnel Costs	819,904	96,241	168,231	1,084,376	950,259
Supplies	154,306	3,547	19,510	177,363	165,384
Professional Fees for Service	62,766	15,395	40,265	118,426	71,093
Food and Hospitality	14,899	2,128	89,394	106,421	87,223
Equipment and Maintenance	75,163	8,785	13,666	97,614	49,988
Computer Network	39,483	19,339	21,756	80,578	59,047
Depreciation	49,084	1,655	4,412	55,151	53,935
Development and Public Relations	37,414	2,227	4,900	44,541	43,643
Interest	34,600	1,166	3,110	38,876	37,418
Printing	14,062	3,701	19,243	37,006	44,435
Occupancy	24,726	1,236	4,945	30,907	20,422
Advertising and Promotion	2,171	-	24,965	27,136	5,915
Remodeling Project Expenses	26,223	-	-	26,223	-
Bank and Credit Card Fees	259	12,445	13,223	25,927	16,918
Insurance	18,511	1,157	3,471	23,139	23,461
Telephone	14,256	2,317	1,247	17,820	16,273
Travel	8,967	1,281	2,562	12,810	6,775
Postage and Shipping	1,143	2,285	7,998	11,426	9,847
Conferences and Training	8,077	-	-	8,077	5,855
Automotive Expenses	4,279	357	2,496	7,132	-
Property Taxes	6,393	-	-	6,393	3,054
Website Expense	-	3,500	-	3,500	-
Curriculum	3,154	-	-	3,154	1,820
Memberships	941	1,602	-	2,543	2,403
Other	38	1,064	798	1,900	717
Mission Support	351	-	-	351	1,161
<b>Total Expense - 2019</b>	<b>\$ 1,421,170</b>	<b>\$ 181,428</b>	<b>\$ 446,192</b>	<b>\$ 2,048,790</b>	
<b>Percent of Total - 2019</b>	<b>69.3%</b>	<b>8.9%</b>	<b>21.8%</b>		
<b>Total Expense - 2018</b>	<b>\$ 1,180,319</b>	<b>\$ 136,397</b>	<b>\$ 360,330</b>		<b>\$ 1,677,046</b>
<b>Percent of Total - 2018</b>	<b>70.4%</b>	<b>8.1%</b>	<b>21.5%</b>		

See Notes to Financial Statements

**LIFE NETWORK, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019**  
**With Comparative Totals for 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operations</b>		
Change in Net Assets	\$ 294,751	\$ 216,784
Adjustments to Arrive at Net Cash Provided by Operating Activities		
Depreciation	55,151	53,935
Realized and Unrealized Gain on Investments	-	(102)
Change in		
Inventory - Program	3,669	633
Inventory - Thrift Store	(47,687)	-
Prepaid Expense	(3,317)	35,133
Security Deposit	(25,000)	-
Accounts Payable	17,503	7,882
Accrued Expenses	(12,903)	(10,073)
Net Cash Provided by Operations	282,167	304,192
<b>Cash Flows from Investing Activities</b>		
Purchase of Property and Equipment	(72,531)	(34,666)
Proceeds from Sale of Property and Equipment	-	8,000
Net Cash Used by Investing Activities	(72,531)	(26,666)
<b>Cash Flows from Financing Activities</b>		
Principal Payments on Notes Payable	(33,163)	(34,173)
Principal Payments on Capital Lease Obligations	(1,312)	(218)
Net Cash Used by Financing Activities	(34,475)	(34,391)
<b>Net Change in Cash and Restricted Cash</b>	175,161	243,135
<b>Beginning Cash and Restricted Cash</b>	684,791	441,656
<b>Ending Cash and Restricted Cash</b>	\$ 859,952	\$ 684,791

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

**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 relationships, healthy sexuality education, and suicide prevention messages 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, 2019, are fully collectible.

**Inventory** – Inventory is comprised of donated maternity and infant supplies that are provided to Life Network's clients as needed, and merchandise for sale in the Family Thrift Store. The maternity and infant items are recorded at estimated fair market value at the date of receipt, and the merchandise is valued at the lower of FIFO cost or net realizable value.

**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 rent payments under lease agreements received in advance are deferred to the applicable period in which the related performance obligation is satisfied, or expenditures are incurred. 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. Revenue from sales of contributed merchandise is recognized at the point in time that the sale takes place and the customer takes position of the goods purchased.

**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 \$23,940 for 2019.

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 14,000 clients received assistance ranging from pregnancy testing and counseling to baby supplies. In 2019, Life Network received approximately 9,350 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.

**LIFE NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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.

**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 \$7,404 for 2019.

**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, 2018, from which the summarized information was derived.

**Reclassifications** – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. Specifically, amounts previously reported as promises to give have been reclassified to cash on hand on the statement of financial position due to the custody and receipt of contributions prior to year-end. The reclassifications had no impact on previously reported net assets.

**New Accounting Pronouncements** – On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The standard prescribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized. It also requires expanded disclosures about the nature, amount, and timing of revenue and cash flows. Life Network has analyzed the provisions of Topic 606 and have concluded the adoption of this new guidance will not have a material impact on the financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional and, as a result, it enhances the comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. Accordingly, there was no cumulative-effect adjustment to net assets with or without donor restrictions in connection with the implementation.

**LIFE NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – RESTRICTED CASH**

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, 2019, the balance in this account was \$132,605.

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	\$ 727,347
Restricted Cash - Building Improvement Reserves	<u>132,605</u>
Total Cash and Restricted Cash Shown in the Statement of Cash Flows	<u><u>\$ 859,952</u></u>

**NOTE 2 – AVAILABILITY AND LIQUIDITY**

Life Network’s goal is generally to maintain financial assets to meet 45 days of operating expenses (approximately \$250,000).

The following reflects Life Network’s financial assets as of December 31, 2019, 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	<u>\$ 859,952</u>
Less Amounts Not Available to Meet General Expenditures Within One Year:	
Cash Reserved for Building Improvement and Loan Covenant	132,605
Net Assets with Donor Restrictions	55,870
Less Net Assets with Restrictions to be Met in Less Than One Year:	
Purpose Restrictions	<u>(55,870)</u>
	<u>132,605</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 727,347</u></u>

**LIFE NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consist of:

Land	\$ 128,196
Building and Improvements	1,303,562
Furniture and Equipment	211,975
Automobiles	8,552
Property Held Under Capital Lease	9,128
Total Cost	<u>1,661,413</u>
Less Accumulated Depreciation	(750,385)
Net Property and Equipment	<u><u>\$ 911,028</u></u>

Depreciation expense for 2019 was \$55,151.

**NOTE 4 – NOTES PAYABLE**

Notes payable 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.

\$ 444,751	\$ 465,051
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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.

<u>282,036</u>	<u>294,899</u>
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Total Notes Payable	726,787	759,950
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Less Current Portion of Notes Payable	<u>33,609</u>	<u>34,352</u>
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Long-Term Portion of Notes Payable	<u><u>\$ 693,178</u></u>	<u><u>\$ 725,598</u></u>
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**LIFE NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 – NOTES PAYABLE - Continued**

Future scheduled maturities of notes payable are:

<u>Years Ending December 31,</u>	
2020	\$ 33,609
2021	33,535
2022	35,454
2023	37,482
2024	586,707
Total	<u>\$ 726,787</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>	
2020	\$ 1,311
2021	1,093
Total Minimum Lease Payments	<u>2,404</u>
Less Current Portion	<u>(1,311)</u>
	<u>\$ 1,093</u>

Accumulated depreciation and depreciation expense for the leased equipment was \$787 for the year ended December 31, 2019.

**NOTE 6 – STATEMENT OF CASH FLOWS**

Life Network paid cash of \$38,876 in interest expense during 2019.

**NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

**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 2019, the plan resulted in \$16,112 of pension expense.

**LIFE NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**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)	\$ 45,810	\$ 53,500	\$ (44,220)	\$ 55,090
Program	-	5,361	(5,361)	-
Fence Repairs	-	780	-	780
Time	97,586	-	(97,586)	-
Total	<u>\$ 143,396</u>	<u>\$ 59,641</u>	<u>\$ (147,167)</u>	<u>\$ 55,870</u>

**NOTE 10 – DONATED PROFESSIONAL SERVICES AND MATERIALS**

Life Network received donated professional services and materials as follows during the year ended December 31, 2019:

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Medical Professional Services	\$ 23,940	\$ -	\$ -	\$ 23,940
Program Inventory Supplies	94,111	-	-	94,111
Family Thrift Store Merchandise	59,757	4,980	34,858	99,595
Banquet Speaker	1,750	-	-	1,750
Landscaping	-	2,538	-	2,538
	<u>\$ 179,558</u>	<u>\$ 7,518</u>	<u>\$ 34,858</u>	<u>\$ 221,934</u>

The inventory supplies and thrift store merchandise received during 2019 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 2019, approximately 28% of total contributions were from three donors.

During 2019, approximately 33% of total public support was from fund-raising events.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

During 2019, members of the board of directors and management contributed \$20,320 to Life Network.

**LIFE NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**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 - JOINT COSTS**

Life Network achieves some of its programmatic goals during the annual Gala and Walk for Life events that include requests for sponsorships and contributions, as well as through operation of the Family Thrift Store that includes services for clients and ministry outreach to the community. The costs to conduct the events and to operate the thrift store were allocated among functional expense categories, as follows:

	<b>Program</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Gala Event	\$ 18,077	\$ -	\$ 102,433	\$ 120,510
Walk For Life	7,655	-	43,376	51,031
Family Thrift Store	61,498	5,125	35,873	102,496
	<u>\$ 87,230</u>	<u>\$ 5,125</u>	<u>\$ 181,682</u>	<u>\$ 274,037</u>

**NOTE 15 – 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, 2019, 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, 2019, Life Network had no tax obligation liability.

**NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 21, 2020, the date on which the financial statements were available to be issued.

*Coronavirus (COVID-19) Pandemic*

In December 2019, an outbreak of a novel strain of Coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic, and multiple jurisdictions in the U.S. have declared a state of emergency. The extent of the impact of COVID-19 on Life Network’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on our staff, contributors, and our ability to provide program services, none of which can be reasonably predicted. At this point, the extent to which COVID-19 may impact Life Network’s financial condition or results of operations is uncertain.

***ADDITIONAL INFORMATION***

**LIFE NETWORK, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSE WITH ESTIMATED VALUE OF VOLUNTEERS**  
**YEAR ENDED DECEMBER 31, 2019**  
**With Comparative Totals for 2018**

	<b>Program</b>	<b>Supporting Services</b>		<b>Total</b>	
		<b>General and Administrative</b>	<b>Fundraising</b>	<b>2019</b>	<b>2018</b>
Salaries and Benefits	\$ 755,320	\$ 58,102	\$ 154,937	\$ 968,359	\$ 860,042
Payroll Taxes	56,241	4,326	11,537	72,104	63,978
Health Insurance	8,343	33,813	1,757	43,913	26,239
Total Personnel Costs	819,904	96,241	168,231	1,084,376	950,259
Supplies	154,306	3,547	19,510	177,363	165,384
Professional Fees for Service	62,766	15,395	40,265	118,426	71,093
Food and Hospitality	14,899	2,128	89,394	106,421	87,223
Equipment and Maintenance	75,163	8,785	13,666	97,614	49,988
Computer Network	39,483	19,339	21,756	80,578	59,047
Depreciation	49,084	1,655	4,412	55,151	53,935
Development and Public Relation	37,414	2,227	4,900	44,541	43,643
Interest	34,600	1,166	3,110	38,876	37,418
Printing	14,062	3,701	19,243	37,006	44,435
Occupancy	24,726	1,236	4,945	30,907	20,422
Advertising and Promotion	2,171	-	24,965	27,136	5,915
Remodeling Project Expenses	26,223	-	-	26,223	-
Bank and Credit Card Fees	259	12,445	13,223	25,927	16,918
Insurance	18,511	1,157	3,471	23,139	23,461
Telephone	14,256	2,317	1,247	17,820	16,273
Travel	8,967	1,281	2,562	12,810	6,775
Postage and Shipping	1,143	2,285	7,998	11,426	9,847
Conferences and Training	8,077	-	-	8,077	5,855
Automotive Expenses	4,279	357	2,496	7,132	-
Property Taxes	6,393	-	-	6,393	3,054
Website Expense	-	3,500	-	3,500	-
Curriculum	3,154	-	-	3,154	1,820
Memberships	941	1,602	-	2,543	2,403
Other	38	1,064	798	1,900	717
Mission Support	351	-	-	351	1,161
<b>Total Expense</b>	<b>1,421,170</b>	<b>181,428</b>	<b>446,192</b>	<b>2,048,790</b>	<b>1,677,046</b>
Estimated Value of Program Volunteers	120,194	11,360	8,696	140,250	140,009
<b>Total with Estimated Value of Program Volunteers</b>	<b>\$ 1,541,364</b>	<b>\$ 192,788</b>	<b>\$ 454,888</b>	<b>\$ 2,189,040</b>	<b>\$ 1,817,055</b>