

**TENNESSEE RIGHT TO LIFE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2014 (AUDITED)
AND 2013 (UNAUDITED)**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tennessee Right to Life, Inc.

We have audited the accompanying financial statements of Tennessee Right to Life, Inc. (a Tennessee not-for-profit corporation, the "Organization"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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.

Auditors' 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 of 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 auditors' 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 Organization'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 Organization'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 Tennessee Right to Life, Inc. as of December 31, 2014, 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.

Prior Period Financial Statements

The 2013 financial statements were reviewed by us, and our report thereon, dated December 2, 2014, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Blankenship CPA Group, PLLC
September 15, 2015

TENNESSEE RIGHT TO LIFE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
	(Audited)	(Unaudited)
ASSETS		
CURRENT ASSETS		
Cash	\$ 81,463	\$ 99,322
Related party receivables	3,762	4,742
Other current assets	-	1,000
Total Current Assets	<u>85,225</u>	<u>105,064</u>
PROPERTY AND EQUIPMENT, net	<u>423,653</u>	<u>435,498</u>
TOTAL ASSETS	<u><u>\$ 508,878</u></u>	<u><u>\$ 540,562</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 24,853	\$ 16,607
Current portion of trade note payable	3,000	3,000
Current portion of long-term debt	7,193	5,593
Total Current Liabilities	<u>35,046</u>	<u>25,200</u>
TRADE NOTE PAYABLE, net of current portion	71,135	73,635
LONG-TERM DEBT, net of current portion	<u>87,699</u>	<u>94,796</u>
Total Liabilities	193,880	193,631
NET ASSETS - UNRESTRICTED	<u>314,998</u>	<u>346,931</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 508,878</u></u>	<u><u>\$ 540,562</u></u>

The accompanying notes are an integral part of these financial statements.

TENNESSEE RIGHT TO LIFE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014 (Audited)	2013 (Unaudited)
REVENUES AND SUPPORT		
Contributions	\$ 409,716	\$ 127,844
Special events revenue	178,862	185,217
Interest income	42	35
	<u>588,620</u>	<u>313,096</u>
Total Revenues and Support		
FUNCTIONAL EXPENSES		
Program services	496,534	229,128
Supporting services		
Management and general	73,635	46,967
Fundraising	50,384	34,540
	<u>620,553</u>	<u>310,635</u>
Total Functional Expenses		
(DECREASE) INCREASE IN NET ASSETS	(31,933)	2,461
NET ASSETS, BEGINNING OF THE YEAR	<u>346,931</u>	<u>344,470</u>
NET ASSETS, END OF THE YEAR	<u>\$ 314,998</u>	<u>\$ 346,931</u>

The accompanying notes are an integral part of these financial statements.

TENNESSEE RIGHT TO LIFE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
(AUDITED)
YEAR ENDED DECEMBER 31, 2014

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 138,784	\$ 32,655	\$ 32,655	\$ 204,094
Political programs	176,997	-	-	176,997
Printing and publications	32,255	9,216	4,608	46,079
Pro-life events	34,042	-	-	34,042
Postage and shipping	19,473	5,564	2,782	27,819
Legislation	16,259	-	-	16,259
Depreciation	8,292	2,369	1,185	11,846
Occupancy	7,220	2,063	1,031	10,314
Insurance	6,444	1,841	921	9,206
Equipment rental and maintenance	6,148	1,757	878	8,783
Administration	3,900	2,340	1,560	7,800
Office supplies	5,342	1,526	763	7,631
Fair booth	7,429	-	-	7,429
Interest	4,794	1,370	685	6,849
Professional fees	-	5,653	-	5,653
Travel	4,386	548	548	5,482
Utilities	3,665	1,047	524	5,236
Telephone	3,543	1,012	506	5,061
General advertising	4,397	-	-	4,397
Web site fees	2,570	321	321	3,212
Oratory contests	3,134	-	-	3,134
Presentation events	3,039	-	-	3,039
Grants	3,000	-	-	3,000
Conferences and conventions	-	2,250	-	2,250
Gifts	-	2,103	-	2,103
Promotional materials	-	-	1,417	1,417
Literature	1,271	-	-	1,271
Mothers day advertisement	150	-	-	150
Advocacy	-	-	-	-
Property taxes	-	-	-	-
Professional fundraising fees	-	-	-	-
Total Functional Expenses	<u>\$ 496,534</u>	<u>\$ 73,635</u>	<u>\$ 50,384</u>	<u>\$ 620,553</u>

The accompanying notes are an integral part of these financial statements.

TENNESSEE RIGHT TO LIFE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
(UNAUDITED)
YEAR ENDED DECEMBER 31, 2013

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 82,842	\$ 20,410	\$ 16,809	\$ 120,061
Political programs	-	-	-	-
Printing and publications	7,531	2,152	1,076	10,759
Pro-life events	43,896	-	-	43,896
Postage and shipping	6,450	1,843	922	9,215
Legislation	2,778	-	-	2,778
Depreciation	8,277	2,365	1,183	11,825
Occupancy	8,417	2,405	1,203	12,025
Insurance	3,888	1,111	556	5,555
Equipment rental and maintenance	3,956	1,130	565	5,651
Administration	4,041	2,424	1,616	8,081
Office supplies	3,771	1,077	539	5,387
Fair booth	4,516	-	-	4,516
Interest	5,053	1,444	722	7,219
Professional fees	-	5,635	-	5,635
Travel	3,220	402	402	4,024
Utilities	2,891	826	413	4,130
Telephone	3,341	954	477	4,772
General advertising	5,518	-	-	5,518
Web site fees	1,431	179	179	1,789
Oratory contests	4,171	-	-	4,171
Presentation events	2,520	-	-	2,520
Grants	8,399	-	-	8,399
Conferences and conventions	1,572	-	-	1,572
Gifts	-	1,207	-	1,207
Promotional materials	-	-	4,479	4,479
Literature	989	-	-	989
Mothers day advertisement	730	-	-	730
Advocacy	6,574	730	-	7,304
Property taxes	2,356	673	337	3,366
Professional fundraising fees	-	-	3,062	3,062
Total Functional Expenses	\$ 229,128	\$ 46,967	\$ 34,540	\$ 310,635

The accompanying notes are an integral part of these financial statements.

TENNESSEE RIGHT TO LIFE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
	(Audited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (31,933)	\$ 2,461
Adjustments to reconcile (decrease) increase in net assets to net cash (used) provided by operating activities		
Depreciation	11,846	11,825
Decrease in related party receivables	980	3,281
Decrease in other current assets	1,000	2,200
Increase in accounts payable and accrued expenses	<u>8,246</u>	<u>1,511</u>
 Net Cash (Used) Provided by Operating Activities	 <u>(9,861)</u>	 <u>21,278</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	<u>-</u>	<u>(1,243)</u>
 Net Cash Used by Investing Activities	 <u>-</u>	 <u>(1,243)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(5,498)	(5,126)
Payments on trade note payable	<u>(2,500)</u>	<u>(3,250)</u>
 Net Cash Used by Financing Activities	 <u>(7,998)</u>	 <u>(8,376)</u>
 NET (DECREASE) INCREASE IN CASH	 (17,859)	 11,659
 CASH, BEGINNING OF THE YEAR	 <u>99,322</u>	 <u>87,663</u>
 CASH, END OF THE YEAR	 <u>\$ 81,463</u>	 <u>\$ 99,322</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 6,849</u>	<u>\$ 7,219</u>

The accompanying notes are an integral part of these financial statements.

TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 (AUDITED) AND 2013 (UNAUDITED)

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Tennessee Right to Life, Inc. (the "Organization") is a Tennessee not-for-profit corporation consisting of 24 (22 in 2013) chapters located across the state of Tennessee. Financial activities of the chapters are combined in the accompanying financial statements. Material inter-chapter activities, if any, are eliminated from the accompanying financial statements. The purpose of the Organization is to promote the dignity and protect the rights that are possessed by all human beings from the moment of conception, including the greatest right of all, the right to life itself. The Organization is primarily supported by donations from individuals and special fundraising events.

The Organization seeks to educate the public regarding current legislative and judiciary decisions that affect the right to life and to coordinate the activities of many groups which have purposes similar to those of Tennessee Right to Life, Inc. The Organization is an affiliate of the National Right to Life Committee. With more than 3,000 local chapters and affiliates in all fifty states, the National Right to Life Committee is the nation's largest and best-known pro-life organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein and the disclosures of commitments and contingencies. Actual results could differ from those estimates.

Cash

Cash includes cash on hand and cash on deposit in financial institutions.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire during the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. There were no temporarily or permanently restricted net assets as of December 31, 2014 or 2013.

TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 (AUDITED) AND 2013 (UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

Various volunteers donate many hours to the Organization's program services and fundraising campaigns. These donated services are reflected in the financial statements only when the services require specialized skills.

Property and Equipment and Depreciation

It is the Organization's policy to capitalize all property and equipment over \$500. Property and equipment acquisitions are recorded at cost. Contributions of property and equipment are recorded as support at their estimated fair value at the date of receipt. Such contributions are reported as unrestricted support unless the donor has restricted the asset for a specific purpose. Depreciation is provided over the estimated useful lives of the assets ranging from five to forty years and computed on the straight-line method. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) is included in revenues and support on the statements of activities and loss is included in the functional expenses for the period. A gain on trade-in is applied to reduce the cost of the new acquisition.

Long-Lived Assets

The Organization periodically reviews the values assigned to long-lived assets to determine if any impairments are other than temporary. Management believes that the long-lived assets on the accompanying statements of financial position are appropriately valued.

Income Taxes

The Organization is exempt from federal income taxes under Section 501c(4) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation.

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2014, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2011.

TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 (AUDITED) AND 2013 (UNAUDITED)

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2014 (Audited)	2013 (Unaudited)
Land	\$ 85,000	\$ 85,000
Building	426,569	426,569
Equipment and furniture	<u>17,102</u>	<u>17,102</u>
	528,671	528,671
Accumulated depreciation	<u>(105,018)</u>	<u>(93,173)</u>
	<u>\$ 423,653</u>	<u>\$ 435,498</u>

Depreciation expense was \$11,846 and \$11,825 for 2014 and 2013, respectively.

NOTE 4 - TRADE NOTE PAYABLE

The Organization has an accounts payable with a vendor that has been converted to an informal note payable. The vendor has agreed to accept payments of \$250 per month until the obligation is paid. Annual payments on the trade note payable are expected to be \$3,000 per year through 2018 with a total of \$61,635 due thereafter.

NOTE 5 - LONG-TERM DEBT

The Organization had a note payable with a bank that was used to fund the renovation of the office building. The note called for monthly payments of principal and interest of \$1,029 at a fixed rate of 6.9%. The final balloon payment was due on September 20, 2015. In July 2015, the note was renewed allowing for monthly payments of principal and interest of \$1,024 at a fixed rate of 4.2%. The final balloon payment is due on July 16, 2020. The loan is collateralized by the real property being financed.

Annual principal maturities of the note payable are as follows for the years ended December 31:

2015	\$ 7,193
2016	8,776
2017	9,152
2018	9,544
2019	9,952
Thereafter	<u>50,275</u>
	<u>\$ 94,892</u>

TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 (AUDITED) AND 2013 (UNAUDITED)

NOTE 6 - IN-KIND CONTRIBUTIONS

In-kind contributions included in revenues and support in the statements of activities and changes in net assets totaled \$3,190 and \$4,425 for 2014 and 2013, respectively and consists of prizes and supplies used in prolife events.

NOTE 7 - OPERATING LEASES

The Organization has entered into an operating lease for office equipment. Future minimum lease payments under the operating lease are as follows for the years ended December 31:

2015	\$ 720
2016	720
2017	720
2018	<u>660</u>
Total	<u>\$ 2,820</u>

Total facility and equipment rent expense was \$13,791 and \$12,224 in 2014 and 2013, respectively.

As more fully described in Note 8, the Organization made facility rent payments totaling \$2,100 for a related party in 2013.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Organization maintains a close working relationship with four affiliated entities: Tennessee Right to Life Educational Fund, Inc. (the "Fund"), New Life Resources, Inc. ("New Life") Yes on 1, ("Yes") and Tennessee Right to Life Political Action Committee (the "PAC"). The five organizations have common members on their boards of directors. The Organization shares program and administrative expenses with the Fund and New Life for equipment, supplies, employees, as well as rent, property taxes, and utilities at the Welshwood Drive and Charlotte Avenue locations. Some of these costs are recorded by the Organization and reimbursed by the Fund and New Life and some costs are paid separately by each entity at the time the invoice is received. The Organization provides administrative support to Yes and the PAC free-of-charge.

The Fund reimbursed the Organization \$102,036 (\$63,928 in 2013) for costs related to educational programs. These costs included occupancy, wages, equipment, postage, printing and other educational programming costs. These reimbursements have been reflected on the respective statements of functional expenses as a reduction of the associated expenses. New Life reimbursed the Organization \$10,330 (\$11,194 in 2013) for various administrative expenses.

TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 (AUDITED) AND 2013 (UNAUDITED)

NOTE 8 - RELATED PARTY TRANSACTIONS (CONTINUED)

The Organization occasionally collects donations on behalf of the Fund. These donations are recorded as a liability at the time of collection. Donations in 2014 totaling \$8,190 (\$6,225 for 2013) were processed on behalf of the Fund and netted against reimbursements due from the Fund.

The Organization paid New Life on a month-to-month basis for its use of a portion of New Life's facilities on Charlotte Avenue. The lease expired in 2014. The Organization reimbursed New Life \$3,505 in 2013.

During 2014, the Organization paid Yes a total of \$175,997 (\$7,300 in 2013) to support advocacy activities.

Included in receivables at December 31, 2014 is \$3,762 (\$4,742 at December 31, 2013) due from New Life. These amounts will be netted against reimbursements in the future periods.

The Organization leases space at its Welshwood facility to New Life, free-of-charge. During 2011, New Life completed leasehold improvements at this facility totaling \$89,812. The Organization has entered into a lease agreement with New Life that has an initial term of five years with two options to renew for five years each.

NOTE 9 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 15, 2015, which is the date the financial statements were available to be issued.