

**TENNESSEE RIGHT TO LIFE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Tennessee Right to Life, Inc. (a Tennessee not-for-profit corporation, the "Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, (collectively, 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 audits. We conducted our audits 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC
October 7, 2016

TENNESSEE RIGHT TO LIFE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	\$ 82,086	\$ 81,463
Related party receivables	1,452	3,762
Total Current Assets	83,538	85,225
PROPERTY AND EQUIPMENT, net	412,741	423,653
TOTAL ASSETS	\$ 496,279	\$ 508,878
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 22,234	\$ 24,853
Current portion of trade note payable	3,000	3,000
Current portion of long-term debt	8,753	7,193
Total Current Liabilities	33,987	35,046
TRADE NOTE PAYABLE, net of current portion	67,885	71,135
LONG-TERM DEBT, net of current portion	79,493	87,699
Total Liabilities	181,365	193,880
NET ASSETS - UNRESTRICTED	314,914	314,998
TOTAL LIABILITIES AND NET ASSETS	\$ 496,279	\$ 508,878

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, 2015 AND 2014

	2015	2014
REVENUES AND SUPPORT		
Contributions	\$ 202,365	\$ 409,716
Special events revenue	178,060	178,862
Interest income	<u>32</u>	<u>42</u>
Total Revenues and Support	<u>380,457</u>	<u>588,620</u>
FUNCTIONAL EXPENSES		
Program services	271,761	496,534
Supporting services		
Management and general	65,727	73,635
Fundraising	<u>43,053</u>	<u>50,384</u>
Total Functional Expenses	<u>380,541</u>	<u>620,553</u>
DECREASE IN NET ASSETS	(84)	(31,933)
NET ASSETS, BEGINNING OF THE YEAR	<u>314,998</u>	<u>346,931</u>
NET ASSETS, END OF THE YEAR	<u>\$ 314,914</u>	<u>\$ 314,998</u>

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

TENNESSEE RIGHT TO LIFE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 115,978	\$ 29,823	\$ 19,882	\$ 165,683
Pro-life events	34,296	-	-	34,296
Printing and publications	18,924	5,407	2,704	27,035
Postage and shipping	15,136	4,324	2,162	21,622
Legislation	14,724	-	-	14,724
Insurance	9,596	2,742	1,371	13,709
Occupancy	8,509	2,430	1,216	12,155
Depreciation	7,639	2,183	1,091	10,913
Professional fees	-	10,115	-	10,115
Administration	4,891	2,935	1,956	9,782
Professional fundraising fees	-	-	8,000	8,000
Fair booth	6,568	-	-	6,568
Presentation events	5,915	-	-	5,915
Interest	3,971	1,134	567	5,672
Equipment rental and maintenance	3,317	948	474	4,739
Property taxes	2,845	813	407	4,065
Telephone	2,397	685	342	3,424
Utilities	2,260	646	323	3,229
General advertising	3,106	-	-	3,106
Oratory contests	2,680	-	-	2,680
Promotional materials	-	-	2,161	2,161
Web site fees	1,545	193	193	1,931
Office supplies	1,349	386	193	1,928
Conferences and conventions	1,757	-	-	1,757
Grants	1,550	-	-	1,550
Political programs	1,495	-	-	1,495
Gifts	-	918	-	918
Literature	636	-	-	636
Advocacy	308	34	-	342
Mothers day advertisement	281	-	-	281
Travel	88	11	11	110
	<u>88</u>	<u>11</u>	<u>11</u>	<u>110</u>
Total Functional Expenses	<u>\$ 271,761</u>	<u>\$ 65,727</u>	<u>\$ 43,053</u>	<u>\$ 380,541</u>

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

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

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 138,784	\$ 32,655	\$ 32,655	\$ 204,094
Pro-life events	34,042	-	-	34,042
Printing and publications	32,255	9,216	4,608	46,079
Postage and shipping	19,473	5,564	2,782	27,819
Legislation	16,259	-	-	16,259
Insurance	6,444	1,841	921	9,206
Occupancy	7,220	2,063	1,031	10,314
Depreciation	8,292	2,369	1,185	11,846
Professional fees	-	5,653	-	5,653
Administration	1,543	926	618	3,087
Professional fundraising fees	-	-	-	-
Fair booth	7,429	-	-	7,429
Presentation events	3,039	-	-	3,039
Interest	4,794	1,370	685	6,849
Equipment rental and maintenance	6,148	1,757	878	8,783
Property taxes	2,357	1,414	942	4,713
Telephone	3,543	1,012	506	5,061
Utilities	3,665	1,047	524	5,236
General advertising	4,397	-	-	4,397
Oratory contests	3,134	-	-	3,134
Promotional materials	-	-	1,417	1,417
Web site fees	2,570	321	321	3,212
Office supplies	5,342	1,526	763	7,631
Conferences and conventions	-	2,250	-	2,250
Grants	3,000	-	-	3,000
Political programs	176,997	-	-	176,997
Gifts	-	2,103	-	2,103
Literature	1,271	-	-	1,271
Advocacy	-	-	-	-
Mothers day advertisement	150	-	-	150
Travel	4,386	548	548	5,482
	<u>4,386</u>	<u>548</u>	<u>548</u>	<u>5,482</u>
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.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (84)	\$ (31,933)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities		
Depreciation	10,913	11,846
Decrease in related party receivables	2,310	980
Decrease in other current assets	-	1,000
(Decrease) increase in accounts payable and accrued expenses	<u>(2,619)</u>	<u>8,246</u>
Net Cash Provided (Used) by Operating Activities	<u>10,520</u>	<u>(9,861)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(6,647)	(5,498)
Payments on trade note payable	<u>(3,250)</u>	<u>(2,500)</u>
Net Cash Used by Financing Activities	<u>(9,897)</u>	<u>(7,998)</u>
NET INCREASE (DECREASE) IN CASH	623	(17,859)
CASH, BEGINNING OF THE YEAR	<u>81,463</u>	<u>99,322</u>
CASH, END OF THE YEAR	<u>\$ 82,086</u>	<u>\$ 81,463</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 5,672</u>	<u>\$ 6,849</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, 2015 AND 2014

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Tennessee Right to Life, Inc. (the "Organization") is a Tennessee not-for-profit corporation consisting of 21 (24 in 2014) 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.

Reclassifications

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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, 2015 or 2014.

TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

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.

Cash

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

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, 2015, 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 2012.

**TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2015	2014
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>(115,930)</u>	<u>(105,018)</u>
	<u>\$ 412,741</u>	<u>\$ 423,653</u>

Depreciation expense was \$10,913 and \$11,846 for 2015 and 2014, 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 \$67,885 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:

2016	\$ 8,753
2017	9,127
2018	9,518
2019	9,926
2020	<u>50,922</u>
	<u>\$ 88,246</u>

**TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 6 - IN-KIND CONTRIBUTIONS

In-kind contributions included in revenues and support in the statements of activities and changes in net assets totaled \$5,313 and \$3,190 for 2015 and 2014, respectively and consists of prizes and supplies used in pro-life 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:

2016	\$ 720
2017	720
2018	<u>660</u>
 Total	 <u>\$ 2,100</u>

Total facility and equipment rent expense was \$15,729 and \$13,791 in 2015 and 2014, respectively.

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 \$57,644 (\$102,036 in 2014) 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 \$18,518 (\$10,330 in 2014) for various administrative expenses.

The Organization occasionally collects donations on behalf of the Fund. These donations are recorded as a liability at the time of collection. Donations in 2015 totaling \$5,335 (\$8,190 for 2014) were processed on behalf of the Fund and netted against reimbursements due from the Fund.

TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8 - RELATED PARTY TRANSACTIONS (CONTINUED)

New Life paid the Organization \$14,686 to reimburse the Organization for certain shared personnel and administrative expenses during 2015. During 2014, these shared expenses were paid independently by each entity.

Included in receivables at December 31, 2015 is \$1,452 (\$3,762 at December 31, 2014) due from New Life. These amounts will be netted against reimbursements in the future periods.

The Organization leased space at its Welshwood facility to New Life, free-of-charge for one of its program activities. During 2011, New Life completed leasehold improvements at this facility totaling \$89,812. The Organization had entered into a lease agreement with New Life that had an initial term of five years with two options to renew for five years each. During 2014, New Life ceased its operations at the Welshwood location. The Organization has recorded no gain on the abandonment of these improvements as the improvements have been deemed to be fully depreciated.

During 2015 the Organization paid Yes a total of \$1,495 (\$175,997 in 2014) to support advocacy activities.

NOTE 9 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 7, 2016, which is the date the financial statements were available to be issued.