

**TENNESSEE RIGHT TO LIFE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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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, 2016 and 2015, 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.

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, 2016 and 2015, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Blankenship CPA Group, PLLC
July 21, 2017

**TENNESSEE RIGHT TO LIFE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	2016	2015 (Restated)
ASSETS		
CURRENT ASSETS		
Cash	\$ 87,258	\$ 82,086
Related party receivables	9,384	1,452
Total Current Assets	96,642	83,538
PROPERTY AND EQUIPMENT, net	401,828	412,741
TOTAL ASSETS	\$ 498,470	\$ 496,279
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 24,842	\$ 22,234
Current portion of trade note payable	1,011	962
Current portion of long-term debt	9,125	8,753
Total Current Liabilities	34,978	31,949
TRADE NOTE PAYABLE, net of current portion	39,220	40,231
LONG-TERM DEBT, net of current portion	70,428	79,494
Total Liabilities	144,626	151,674
NET ASSETS - UNRESTRICTED	353,844	344,605
TOTAL LIABILITIES AND NET ASSETS	\$ 498,470	\$ 496,279

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, 2016 AND 2015

	2016	2015 (Restated)
REVENUES AND SUPPORT		
Contributions	\$ 202,633	\$ 202,365
Special events revenue	191,574	178,060
Interest income	<u>55</u>	<u>32</u>
Total Revenues and Support	<u>394,262</u>	<u>380,457</u>
FUNCTIONAL EXPENSES		
Program services	275,937	272,095
Supporting services		
Management and general	64,688	67,593
Fundraising	<u>44,398</u>	<u>42,938</u>
Total Functional Expenses	<u>385,023</u>	<u>382,626</u>
INCREASE (DECREASE) IN NET ASSETS	9,239	(2,169)
NET ASSETS, BEGINNING OF THE YEAR	<u>344,605</u>	<u>346,774</u>
NET ASSETS, END OF THE YEAR	<u><u>\$ 353,844</u></u>	<u><u>\$ 344,605</u></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, 2016

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 105,654	\$ 27,168	\$ 18,112	\$ 150,934
Pro-life events	43,475	-	-	43,475
Printing and publications	22,644	6,470	3,235	32,349
Postage and shipping	19,954	5,701	2,851	28,506
Occupancy	8,736	2,496	1,248	12,480
Insurance	8,091	2,312	1,156	11,559
Depreciation	7,639	2,183	1,091	10,913
Professional fundraising fees	-	-	10,500	10,500
Professional fees	-	10,390	-	10,390
Legislation	8,708	-	-	8,708
General advertising	6,666	-	-	6,666
Fair booth	6,613	-	-	6,613
Literature	5,641	-	-	5,641
Interest	3,946	1,127	564	5,637
Grants	5,575	-	-	5,575
Equipment rental and maintenance	3,151	900	450	4,501
Property taxes	2,828	808	404	4,040
Mothers day advertisement	3,100	-	-	3,100
Telephone	2,127	608	304	3,039
Utilities	1,868	534	266	2,668
Office supplies	1,639	468	234	2,341
Promotional materials	-	-	2,104	2,104
Web site fees	1,642	205	205	2,052
Bank charges	-	1,948	-	1,948
Software	1,470	184	184	1,838
Oratory contests	1,501	-	-	1,501
Fundraising	-	-	1,400	1,400
Presentation events	1,089	-	-	1,089
Gifts	-	1,051	-	1,051
Conferences and conventions	1,037	-	-	1,037
Advocacy	916	-	-	916
Miscellaneous administration	227	135	90	452
Political programs	-	-	-	-
Total Functional Expenses	\$ 275,937	\$ 64,688	\$ 44,398	\$ 385,023

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 (Restated)

	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
Occupancy	8,509	2,430	1,216	12,155
Insurance	9,596	2,742	1,371	13,709
Depreciation	7,639	2,183	1,091	10,913
Professional fundraising fees	-	-	8,000	8,000
Professional fees	-	10,115	-	10,115
Legislation	14,724	-	-	14,724
General advertising	3,106	-	-	3,106
Fair booth	6,568	-	-	6,568
Literature	636	-	-	636
Interest	5,431	1,551	775	7,757
Grants	1,550	-	-	1,550
Equipment rental and maintenance	3,317	948	474	4,739
Property taxes	2,845	813	407	4,065
Mothers day advertisement	281	-	-	281
Telephone	2,397	685	342	3,424
Utilities	2,260	646	323	3,229
Office supplies	1,349	386	193	1,928
Promotional materials	-	-	2,161	2,161
Web site fees	1,545	193	193	1,931
Bank charges	-	3,039	-	3,039
Software	2,013	252	252	2,517
Oratory contests	2,680	-	-	2,680
Fundraising	-	-	656	656
Presentation events	5,915	-	-	5,915
Gifts	-	918	-	918
Conferences and conventions	1,757	-	-	1,757
Advocacy	308	34	-	342
Administration	1,840	1,104	736	3,680
Political programs	1,495	-	-	1,495
Total Functional Expenses	<u>\$ 272,095</u>	<u>\$ 67,593</u>	<u>\$ 42,938</u>	<u>\$ 382,626</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, 2016 AND 2015

	2016	2015 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 9,239	\$ (2,169)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	10,913	10,913
(Increase) decrease in related party receivables	(7,932)	2,310
Increase (decrease) in accounts payable and accrued expenses	<u>2,608</u>	<u>(2,619)</u>
Net Cash Provided by Operating Activities	<u>14,828</u>	<u>8,435</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(8,694)	(6,647)
Payments on trade note payable	<u>(962)</u>	<u>(1,165)</u>
Net Cash Used by Financing Activities	<u>(9,656)</u>	<u>(7,812)</u>
NET INCREASE IN CASH	5,172	623
CASH, BEGINNING OF THE YEAR	<u>82,086</u>	<u>81,463</u>
CASH, END OF THE YEAR	<u>\$ 87,258</u>	<u>\$ 82,086</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 5,637</u>	<u>\$ 7,757</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, 2016 AND 2015**

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Tennessee Right to Life, Inc. (the "Organization") is a Tennessee not-for-profit corporation consisting of 23 (21 in 2015) 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 2015 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, 2016 or 2015.

TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015

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 changes in net assets and loss is included in the functional expenses for the period.

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.

NOTE 3 - RESTATEMENT

During the year ended December 31, 2016, the Organization determined that it was proper for the trade note payable reported on the statements of financial position to be discounted by an imputed interest rate. Accordingly, a restatement was made effective January 1, 2015 that decreased the previously reported total of the trade note payable and increased the unrestricted net assets by \$29,692 on the statements of financial position over what was previously reported at December 31, 2015. Additionally, the interest expense for 2015 increased by \$2,085 from that previously reported on the statement of functional expenses which resulted in a reallocation that increased program services, management and general, and fundraising by \$1,460, \$417, and \$208, respectively.

TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2016	2015
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>(126,843)</u>	 <u>(115,930)</u>
	 <u>\$ 401,828</u>	 <u>\$ 412,741</u>

Depreciation expense was \$10,913 for both 2016 and 2015.

NOTE 5 - 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. A schedule of expected future payments as of December 31, 2016 are as follows:

Year ending December 31,	
2017	\$ 3,000
2018	3,000
2019	3,000
2020	3,000
2021	3,000
Thereafter	<u>52,885</u>
 Total payments	 67,885
Less: interest imputed at 5.0%	(<u>27,654</u>)
	 <u>\$ 40,231</u>

NOTE 6 - LONG-TERM DEBT

The Organization has a note payable with a bank that was used to fund the renovation of the office building. The note calls 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.

**TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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

2017	\$ 9,125
2018	9,515
2019	9,923
2020	<u>50,990</u>
	<u>\$ 79,553</u>

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:

2017	\$ 720
2018	<u>660</u>
Total	<u>\$ 1,380</u>

Total facility and equipment rent expense was \$16,059 and \$15,729 in 2016 and 2015, 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. 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 \$79,015 (\$57,644 in 2015) 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.

TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2016 AND 2015

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 2016 totaling \$11,620 (\$5,335 for 2015) were processed on behalf of the Fund and netted against reimbursements due from the Fund.

New Life paid the Organization \$13,493 (\$14,686 in 2015) to reimburse the Organization for certain shared personnel and administrative expenses.

Receivables at December 31, 2016 totals \$9,384 which consists of \$4,055 and \$5,329 due from the Fund and New Life, respectively (\$1,452 at December 31, 2015 due from New Life). These amounts will be netted against reimbursements in the future periods.

During 2015 the Organization paid Yes a total of \$1,495 to support advocacy activities (none in 2016).

NOTE 9 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 21, 2017, which is the date the financial statements were available to be issued.