

**TENNESSEE RIGHT TO LIFE, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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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), which comprise the statements of financial position as of December 31, 2017 and 2016, the related statements of activities, 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 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 Tennessee Right to Life, Inc. as of December 31, 2017 and 2016, 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 19, 2018

TENNESSEE RIGHT TO LIFE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 85,001	\$ 87,258
Related party receivables	7,709	9,384
Total Current Assets	92,710	96,642
PROPERTY AND EQUIPMENT, net	390,915	401,828
TOTAL ASSETS	\$ 483,625	\$ 498,470
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 14,825	\$ 20,051
Accrued payroll and payroll liabilities	7,164	4,791
Current portion of trade note payable	1,063	1,011
Current portion of long-term debt	9,514	9,125
Total Current Liabilities	32,566	34,978
TRADE NOTE PAYABLE, net of current portion	38,157	39,220
LONG-TERM DEBT, net of current portion	60,958	70,428
Total Liabilities	131,681	144,626
NET ASSETS - UNRESTRICTED	351,944	353,844
TOTAL LIABILITIES AND NET ASSETS	\$ 483,625	\$ 498,470

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

TENNESSEE RIGHT TO LIFE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
REVENUES AND SUPPORT		
Contributions	\$ 217,728	\$ 202,633
Special events revenue	181,254	191,574
Interest income	86	55
	<u>399,068</u>	<u>394,262</u>
Total Revenues and Support		
FUNCTIONAL EXPENSES		
Program services	285,613	275,937
Supporting services		
Management and general	62,199	64,688
Fundraising	53,156	44,398
	<u>400,968</u>	<u>385,023</u>
Total Functional Expenses		
(DECREASE) INCREASE IN NET ASSETS	(1,900)	9,239
NET ASSETS, BEGINNING OF THE YEAR	<u>353,844</u>	<u>344,605</u>
NET ASSETS, END OF THE YEAR	<u><u>\$ 351,944</u></u>	<u><u>\$ 353,844</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, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	122,234	26,193	26,193	\$ 174,620
Pro-life events	37,357	-	-	37,357
Printing and publications	20,698	5,914	2,957	29,569
Postage and shipping	19,247	5,499	2,750	27,496
Occupancy	11,146	3,185	1,592	15,923
Insurance	10,149	2,900	1,450	14,499
Legislation	12,519	-	-	12,519
Professional fundraising fees	-	-	11,500	11,500
Depreciation	7,639	2,183	1,091	10,913
Professional fees	-	8,758	-	8,758
Fair booth	6,477	-	-	6,477
Interest	3,639	1,040	520	5,199
General advertising	5,035	-	-	5,035
Equipment rental and maintenance	2,715	776	388	3,879
Software	2,949	369	369	3,687
Oratory contests	3,423	-	-	3,423
Telephone	2,380	680	340	3,400
Grants	3,330	-	-	3,330
Property taxes	2,196	628	314	3,138
Web site fees	2,495	312	312	3,119
Promotional materials	-	-	2,679	2,679
Utilities	1,699	485	243	2,427
Presentation events	2,263	-	-	2,263
Office supplies	1,576	450	225	2,251
Literature	2,237	-	-	2,237
Bank charges	-	1,788	-	1,788
Miscellaneous	583	350	233	1,166
Mothers day advertisement	783	-	-	783
Conferences and conventions	741	-	-	741
Gifts	-	689	-	689
Political programs	103	-	-	103
Total Functional Expenses	<u>\$ 285,613</u>	<u>\$ 62,199</u>	<u>\$ 53,156</u>	<u>\$ 400,968</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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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
Legislation	8,708	-	-	8,708
Professional fundraising fees	-	-	10,500	10,500
Depreciation	7,639	2,183	1,091	10,913
Professional fees	-	10,390	-	10,390
Fair booth	6,613	-	-	6,613
Interest	3,946	1,127	564	5,637
General advertising	6,666	-	-	6,666
Equipment rental and maintenance	3,151	900	450	4,501
Software	1,470	184	184	1,838
Oratory contests	1,501	-	-	1,501
Telephone	2,127	608	304	3,039
Grants	5,575	-	-	5,575
Property taxes	2,828	808	404	4,040
Web site fees	1,642	205	205	2,052
Promotional materials	-	-	2,104	2,104
Utilities	1,868	534	266	2,668
Presentation events	1,089	-	-	1,089
Office supplies	1,639	468	234	2,341
Literature	5,641	-	-	5,641
Bank charges	-	1,948	-	1,948
Miscellaneous	227	135	90	452
Mothers day advertisement	3,100	-	-	3,100
Conferences and conventions	1,037	-	-	1,037
Gifts	-	1,051	-	1,051
Other fundraising	-	-	1,400	1,400
Advocacy	916	-	-	916
	<u>916</u>	<u>-</u>	<u>-</u>	<u>916</u>
Total Functional Expenses	<u>\$ 275,937</u>	<u>\$ 64,688</u>	<u>\$ 44,398</u>	<u>\$ 385,023</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, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (1,900)	\$ 9,239
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities		
Depreciation	10,913	10,913
Decrease (increase) in related party receivables	1,675	(7,932)
Decrease in accounts payable	(5,226)	(2,060)
Increase in accrued payroll and payroll liabilities	<u>2,373</u>	<u>4,668</u>
 Net Cash Provided by Operating Activities	 <u>7,835</u>	 <u>14,828</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on trade note payable	(1,011)	(962)
Payments on long-term debt	<u>(9,081)</u>	<u>(8,694)</u>
 Net Cash Used by Financing Activities	 <u>(10,092)</u>	 <u>(9,656)</u>
 NET (DECREASE) INCREASE IN CASH	 (2,257)	 5,172
 CASH, BEGINNING OF THE YEAR	 <u>87,258</u>	 <u>82,086</u>
 CASH, END OF THE YEAR	 <u>\$ 85,001</u>	 <u>\$ 87,258</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 5,199</u>	<u>\$ 5,637</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, 2017 AND 2016**

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Tennessee Right to Life, Inc. (the "Organization") is a Tennessee not-for-profit corporation consisting of 20 (23 in 2016) 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 2016 financial statement presentation to correspond to the current year 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, 2017 or 2016.

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.

**TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2017	2016
Land	\$ 85,000	\$ 85,000
Building	426,569	426,569
Equipment and furniture	<u>10,600</u>	<u>17,102</u>
	522,169	528,671
Accumulated depreciation	<u>(131,254)</u>	<u>(126,843)</u>
	<u>\$ 390,915</u>	<u>\$ 401,828</u>

Depreciation expense was \$10,913 for years ended December 31, 2017 and 2016.

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. The principal and interest are calculated using an imputed interest of 5%.

TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 4 - TRADE NOTE PAYABLE (CONTINUED)

A schedule of expected future principal payments are as follows:

Year ending December 31,	
2018	\$ 1,063
2019	1,118
2020	1,175
2021	1,235
2022	1,298
Thereafter	<u>33,331</u>
Total	39,220
Less: current portion	(<u>1,063</u>)
	<u>\$ 38,157</u>

NOTE 5 - 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.

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

2018	\$ 9,514
2019	9,921
2020	<u>51,037</u>
Total	70,472
Less: current portion	(<u>9,514</u>)
	<u>\$ 60,958</u>

NOTE 6 - 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 year ended December 31:

2018	<u>\$ 660</u>
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Total facility and equipment rent expense was \$19,319 and \$16,059 for the years ended December 31, 2017 and 2016, respectively.

NOTE 7 - 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.

TENNESSEE RIGHT TO LIFE, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 7 - RELATED PARTY TRANSACTIONS (CONTINUED)

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 \$91,739 (\$79,015 in 2016) 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.

The Organization occasionally collects donations on behalf of the Fund. These donations are recorded as a liability at the time of collection. Donations in 2017 totaling \$6,760 (\$11,620 for 2016) were processed on behalf of the Fund and netted against reimbursements due from the Fund.

New Life paid the Organization \$8,983 (\$13,493 in 2016) to reimburse the Organization for certain shared personnel and administrative expenses.

Receivables at December 31, 2017 totaled \$7,709 which consisted of \$6,924 and \$785 due from the Fund and New Life, respectively. Receivables at December 31, 2016 totaled \$9,384 which consisted of \$4,055 and \$5,329 due from the Fund and New Life, respectively.

NOTE 8 - EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 18, 2018, which is the date the financial statements were available to be issued.

NOTE 9 - RECENT ACCOUNTING PRONOUNCEMENTS

In August, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, that is intended to improve financial reporting relating to liquidity, financial performance and cash flows.

More specifically, the changes affect net asset classifications by reflecting two classifications of net assets, one "without donor-imposed restrictions" and one "with donor-imposed restrictions," which differ from the traditional classifications of unrestricted, temporarily restricted, and permanently restricted. In addition, reporting of expenses by both natural and functional classification is required and investment returns must be reflected net of related investment expenses. The cash flow statement is also allowed to be restructured by using the direct method of reporting and there are further disclosures regarding an organization's liquidity.

The new standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements in the subsequent years.