



**Council for Life**

**Financial Statements**  
**December 31, 2022**

# Council for Life

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## **Independent Auditors' Report**

To the Board of Directors of  
Council for Life

### ***Opinion***

We have audited the accompanying financial statements of Council for Life (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Council for Life as of December 31, 2022, 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 (GAAP).

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Council for Life and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, Council for Life changed its method of accounting for its leases effective January 1, 2022 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with respect to that matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Council for Life's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Council for Life's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Council for Life's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Sutton Frost Cary*

A Limited Liability Partnership

Arlington, Texas  
April 6, 2023

**Council for Life**  
**Statement of Financial Position**  
**December 31, 2022**

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**Assets**

**Assets:**

Cash	\$ 1,749,611
Prepaid expenses	26,994
Property and equipment, net	86,351
Right of use asset - operating lease, net	<u>266,459</u>
<b>Total assets</b>	<u><u>\$ 2,129,415</u></u>

**Liabilities and Net Assets**

**Liabilities:**

Accounts payable	\$ 17,094
Deferred revenue	16,000
Operating lease liability	<u>291,352</u>
<b>Total liabilities</b>	324,446
Net assets without donor restrictions	<u>1,804,969</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 2,129,415</u></u>

See notes to financial statements.

**Council for Life**  
**Statement of Activities**  
**Year Ended December 31, 2022**

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**Net assets without donor restrictions:**

**Revenue and support:**

Special events, net of direct costs of \$353,314	\$ 1,458,971
Contributions	724,005
Interest income	1,678
Registration fees	<u>21,660</u>
<b>Total revenue and support</b>	<b>2,206,314</b>

**Expenses:**

Program services	1,524,728
Management and general	104,164
Fundraising	<u>274,804</u>
<b>Total expenses</b>	<b><u>1,903,696</u></b>

**Change in net assets** 302,618

**Net assets at beginning of year** 1,502,351

**Net assets at end of year** \$ 1,804,969

See notes to financial statements.

**Council for Life**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2022**

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	Program services	Management and general	Fundraising	Total
Contributions to beneficiaries	\$ 1,145,332	\$ -	\$ -	\$ 1,145,332
Fundraising events	-	-	455,125	455,125
Advocate for life recruitment	-	-	29,970	29,970
Beneficiary selection and programming	18,017	-	-	18,017
Educational event	54,967	-	-	54,967
Marketing and communications	16,058	-	6,882	22,940
Board of directors	-	7,104	-	7,104
Office	73,196	58,059	36,598	167,853
Contract labor	217,158	30,268	99,543	346,969
Depreciation	-	8,733	-	8,733
<b>Total expenses</b>	1,524,728	104,164	628,118	2,257,010
<b>Less expenses included with revenues on the statement of activities</b>				
Cost of direct donor benefits	-	-	(353,314)	(353,314)
<b>Total expenses included in expense section of the statement of activities</b>	\$ 1,524,728	\$ 104,164	\$ 274,804	\$ 1,903,696

See notes to financial statements.



**Council for Life**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**

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<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 302,618
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,733
Amortization of right of use asset	52,362
Changes in assets and liabilities:	
Prepaid expenses	6,765
Accounts payable	10,579
Deferred revenue	(1,870)
Operating lease liability	(27,469)
<b>Net cash provided by operating activities</b>	<u>351,718</u>
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	<u>(79,235)</u>
<b>Net increase in cash</b>	272,483
<b>Cash at beginning of year</b>	<u>1,477,128</u>
<b>Cash at end of year</b>	<u><u>\$ 1,749,611</u></u>
<b>Supplemental disclosure of cash flow information:</b>	
Right-of-use asset obtained in exchange for new lease obligation	<u><u>\$ 318,821</u></u>

See notes to financial statements.

# Council for Life

## Notes to the Financial Statements

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### 1. Organization

Council for Life (Organization) is a nonprofit organization dedicated to empowering women, men and youth to make life-affirming choices. The Organization is motivated by Christ-like love and responsive compassion and is committed to raising public awareness of the complex issues that surround unplanned pregnancies and providing financial support to agencies that share its mission. The Organization is primarily supported by contributions from individuals, other organizations and its fundraising events.

### 2. Summary of Significant Accounting Policies

#### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### *Financial Statement Presentation*

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

*Net assets with donor restrictions* - Net assets subject to donor-imposed time and/or purpose restrictions. As of December 31, 2022, no such net asset restrictions existed.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors approved spending policy. As of December 31, 2022, no such net asset restrictions existed.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases and decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

## **Council for Life**

### **Notes to the Financial Statements**

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#### ***Credit and Market Risk Concentrations***

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash. Cash is placed with high credit quality financial institutions to minimize risk. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022, the Organization had \$1,457,948 in excess of these insurable limits.

The majority of the Organization's revenue and support is received from foundations and individuals located in the Dallas, Texas area. As such, the Organization's ability to generate resources is dependent upon the economic health and interest of that area.

#### ***Deferred Revenue***

Deferred revenue arises from the receipt of funds for event sponsorships in the year prior to the event.

#### ***Revenue Recognition***

The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Donated goods are reflected as contributions at their estimated fair value at date of receipt.

Advocate dues are considered charitable donations and are recognized as revenue when received.

The Organization records revenue from special events when the event takes place.

Registration fees are recognized as educational events take place.

#### ***Functional Allocation of Expenses***

The costs of providing the programs and supporting activities have been summarized on a functional basis in the financial statements. Costs are allocated between program services and support services based on management's judgment considering time spent or direct relation to the program or support service benefited.

## **Council for Life**

### **Notes to the Financial Statements**

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#### ***Advertising Costs***

The Organization expenses advertising costs as incurred. Advertising costs totaled \$3,771 for the year ended December 31, 2022.

#### ***Income Taxes***

The Organization is a nonprofit publicly supported organization, as defined in Section 501(c)(3) of the Internal Revenue Code (IRC) that is exempt from federal income taxes under Section 501(a) of the IRC. Income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. The Organization did not incur any unrelated business income tax expense for the year ended December 31, 2022.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of 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 Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

#### ***Estimates and Assumptions***

Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates used in preparing the accompanying financial statements.

#### ***Accounting Pronouncements Adopted***

The Organization adopted ASU No. 2016-02, *Leases* (Topic 842). The guidance in the ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The ASU also required expanded disclosures related to the amount, timing and uncertainty of cash flows arising from leases. The Organization recorded the impact of adoption as of January 1, 2022, using the modified retrospective method resulting in the recording of a right-of-use asset and a lease liability totaling \$318,821. No changes were required to net assets as of January 1, 2022.

**Council for Life**  
**Notes to the Financial Statements**

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### 3. Property and Equipment

Property and equipment consist of the following at December 31, 2022:

Furniture and fixtures	\$ 71,012
Website	16,981
Equipment	<u>8,223</u>
Less accumulated depreciation	<u>(9,865)</u>
Property and equipment, net	<u><u>\$ 86,351</u></u>

Depreciation expenses totaled \$8,733 for the year ended December 31, 2022.

### 4. Deferred Revenue

The following table provides information about significant changes in special events revenue paid in advance as of December 31, 2022:

Special events revenue paid in advance, beginning of year	\$ 17,870
Revenue recognized that was included in special events revenue at the beginning of the year	(17,870)
Increase in special events revenue due to cash received during the year	<u>16,000</u>
Special events revenue paid in advance, end of year	<u><u>\$ 16,000</u></u>

### 5. Net Assets Without Donor Restrictions

Net assets without donor restrictions include net assets designated by the board of directors for the following purposes at December 31, 2022:

General reserve	\$ 250,000
Central Texas affiliate reserve	57,610
Affiliate	65,912
Beneficiary	200,000
Luncheon	100,000
Staff salary	300,000
Anniversary campaign	<u>343,980</u>
	<u><u>\$ 1,317,502</u></u>

**Council for Life**  
**Notes to the Financial Statements**

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**6. Leases**

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office space. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses the risk-free rate based on the information available at the commencement date to determine the present value of lease payments. Risk-free rates used to determine the present value of lease payments were derived by reference to the interest paid on short-term government debt.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Organization has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

**Council for Life**  
**Notes to the Financial Statements**

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***Nature of Leases***

The Organization has entered into an operating lease arrangement for use of a building for general office space. The lease expires in June 2027. The lease notes no renewal options and requires the Organization to pay all executory costs (maintenance and insurance). Termination of the lease is generally prohibited unless there is a violation under the lease agreement. Future minimum lease payments and reconciliations to the statement of financial position at December 31, 2022 are as follows for the years ending December 31:

2023		\$ 63,843
2024		65,440
2025		67,072
2026		68,755
2027		<u>35,166</u>
Total future undiscounted lease paymen	300,276	
Less present value discount		<u>(8,925)</u>
Lease liabilities		<u>\$ 291,351</u>

The following lease cost and required information for the year ended December 31, 2022:

Total operating lease cost		<u>\$ 56,097</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases		<u>\$ 31,205</u>
Right-of-use assets obtained in exchange for new operating lease liabilities		<u>\$ 318,821</u>
Weighted-average remaining lease term:		
Operating leases		<u>4.42 years</u>
Weighted-average discount rate:		
Operating leases		<u>1.30%</u>

**Council for Life**  
**Notes to the Financial Statements**

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**7. Liquidity and Availability of Resources**

The Organization has \$1,749,611 of financial assets consisting of cash that are available to meet cash needs for general expenditures within one year at December 31, 2022. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. The Organization forecasts its future cash flows and monitors its liquidity monthly and quarterly. In the event the need arises to utilize the board-designated reserves for liquidity purposes, the reserve could be drawn upon through board resolution. During the year ending December 31, 2022, the level of liquidity was managed within the Organization's expectations.

**8. Special Event Revenue**

The luncheon generated significant revenue totaling \$1,812,285 for the year ending December 31, 2022.

The loss of this revenue would have a significant effect on the operation of the Organization. Direct costs associated with this special event totaled \$353,314 for the year ending December 31, 2022 and are not included in the above amount.

**9. Subsequent Events**

The Organization has evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.