

**CITIZENLink.**

A FOCUS ON THE FAMILY AFFILIATE

FINANCIAL STATEMENTS  
With Independent Auditors' Report

September 30, 2013

# CITIZENLINK

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
CitizenLink  
Colorado Springs, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of CitizenLink, which comprise the statement of financial position as of September 30, 2013, and the related statements of activities 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 from 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 auditor's 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.

Board of Directors  
CitizenLink  
Colorado Springs, Colorado

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CitizenLink as of September 30, 2013, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Colorado Springs, Colorado  
January 13, 2014

# CITIZENLINK

## Statement of Financial Position

September 30, 2013

### ASSETS:

Cash and cash equivalents	\$ 1,980,396
Prepaid expenses	74,201
Accounts receivable	62,127
Equipment–net	<u>1,721</u>

Total Assets	<u><u>\$ 2,118,445</u></u>
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### LIABILITIES AND NET ASSETS:

#### Liabilities:

Accounts payable	\$ 244,498
Accrued expenses	92,726
Deferred revenue	<u>9,028</u>
	<u>346,252</u>

Unrestricted net assets	<u>1,772,193</u>
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Total Liabilities and Net Assets	<u><u>\$ 2,118,445</u></u>
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See notes to financial statements

# CITIZENLINK

## Statement of Activities

Year Ended September 30, 2013  
(Changes in Unrestricted Net Assets)

### SUPPORT AND REVENUE:

Contributions	\$ 5,431,018
Reimbursement income—Focus on the Family	2,526,261
Membership dues	30,678
Gift-in-kind	2,978
Interest income	4,481

Total Support and Revenue 7,995,416

### EXPENSES:

Program services:	
Citizenship	<u>8,881,972</u>
	<u>8,881,972</u>

### Supporting activities:

General and administrative	615,252
Fund-raising	226,821
	<u>842,073</u>

Total Expenses 9,724,045

Change in Net Assets (1,728,629)

Net Assets, Beginning of Year 3,500,822

Net Assets, End of Year \$ 1,772,193

See notes to financial statements

# CITIZENLINK

## Statement of Cash Flows

Year Ended September 30, 2013

### CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (1,728,629)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	1,940
Change in operating assets and liabilities:	
Accounts receivable	27,151
Prepaid expenses	148,960
Accounts payable	(250,157)
Accrued expenses	(140,674)
Deferred revenue	5,371
Net Cash Used by Operating Activities	<u>(1,936,038)</u>
Change in Cash and Cash Equivalents	(1,936,038)
Cash and Cash Equivalents, Beginning of Year	<u>3,916,434</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,980,396</u></u>

See notes to financial statements

# CITIZENLINK

## Notes to Financial Statements

September 30, 2013

### 1. NATURE OF ORGANIZATION:

CitizenLink (CL) was organized as a religious corporation under the Colorado Nonprofit Corporation Act for religious purposes. CL was formed for the express purpose of spreading the gospel of Jesus Christ, and to provide an educational service to parents and others who are concerned with healthy family living, toward the end of strengthening the family in its varied dimensions.

CL is active in the promotion of social welfare by addressing the Christian community and the Christian's responsibility in the public policy arena, both locally and nationally. CL uses regular media channels, such as radio, television, periodicals, the internet, and events to discuss critical legislation and policy matters that significantly impact Christian world view issues. CL is a membership organization that is supported by members who are dedicated to the defense of moral values and the institution of the family. Membership is open to the public and is attained by the annual affirmation of joining as a member and paying the annual membership dues of \$1. CL operates under Section 501(c)(4) of the Internal Revenue Code. As such, contributions made to CL are not tax-deductible for federal income tax purposes. CL's primary source of revenue is from contributions from its members.

### 2. SUMMARY OF ACCOUNTING POLICIES:

CL maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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 and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

#### CASH AND CASH EQUIVALENTS

CL considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include amounts held in non-interest bearing checking accounts. These accounts may, at times, exceed federally insured limits. CL has not experienced any losses in such accounts.

#### EQUIPMENT

Equipment is recorded on the basis of cost, or estimated fair value if donated. CL capitalizes purchases in excess of \$2,500, with lesser amounts expensed in the year purchased. Depreciation is provided using the straight-line method over 3-7 years. Accumulated depreciation was \$11,408 as of September 30, 2013.



# CITIZENLINK

## Notes to Financial Statements

September 30, 2013

### 2. SUMMARY OF ACCOUNTING POLICIES, continued:

#### NET ASSETS

Net assets consist of unrestricted amounts currently available for use in the ministries of CL and resources invested in equipment.

#### SUPPORT AND REVENUE

Contributions are recognized as income when made, which may be when cash is received or unconditionally promised, or when ownership of donated assets is transferred. Contributions and membership dues made to organizations that have received a 501(c)(4) designation by the Internal Revenue Service, such as CL, are not tax-deductible for federal income tax purposes.

#### FUNCTIONAL ALLOCATION OF EXPENDITURES

The cost of providing the various programs has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

#### CONCENTRATIONS

CL received contributions of \$2,735,000, approximately 34% of total support and revenue, from two organizations during the year ended September 30, 2013.

#### UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of September 30, 2013, CL had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

CL's federal Exempt Organization Business Income Tax Returns for years ended September 30, 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

### 3. RETIREMENT PLAN:

CL sponsors a defined contribution retirement plan under section 401(k) of the Internal Revenue Code covering substantially all regular, full-time employees meeting eligibility requirements. CL provides a discretionary matching contribution from 3% to 6% of participant compensation, depending on years of service. It is CL's policy to fund retirement plan costs. Total employer contributions to the plan were \$87,896 for the year ended September 30, 2013.

# CITIZENLINK

## Notes to Financial Statements

September 30, 2013

### 4. ALLOCATION OF JOINT COSTS:

During the year ended September 30, 2013, CL incurred joint costs for informational materials and activities that included fund-raising appeals. These programs include various newsletters, magazines, and constituent relations. Costs associated with the various programs have been allocated in the statement of activities according to their functional classification as follows:

Program services:	
Citizenship	\$ 664,196
Fund-raising	<u>190,552</u>
	<u>\$ 854,748</u>

### 5. RELATED PARTY TRANSACTIONS:

CL has common board members and officers, as well as some common management, with Focus on the Family (FOF). CL has a payable to FOF of \$75,224. This amount is related to services that FOF performs for CL as well as items such as shared office space and reimbursements of expenses such as postage. Reimbursement income reflected on the statement of activities is from FOF; this income composes approximately 32% of all revenue. In addition, CL paid \$666,057 to FOF. This expense is approximately 7% of all expenses.

A formal reimbursement policy has been adopted by each organization. This policy includes CL reimbursing FOF for items at fair market value based on research done and FOF reimbursing CL for items at cost. If fair market value is not readily available a markup on any goods or services that FOF provides to CL will be reimbursed in order to guarantee that tax-deductible contributions given to FOF, as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, are not used for the activities of CL.

### 6. COMMITMENTS:

During the year ended September 30, 2013, CL entered into various agreements with service providers for email and administrative services. Future minimum payments under this agreement as of September 30, 2013, are:

<u>Year Ending September 30,</u>	
2014	\$ 463,000
2015	130,000
2016	130,000
2017	<u>130,000</u>
	<u>\$ 853,000</u>

# **CITIZENLINK**

## **Notes to Financial Statements**

September 30, 2013

### **7. SUBSEQUENT EVENTS:**

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated. Subsequent to September 30, 2013, FOF reorganized the governing body of CL and created a separate and independent board of directors. As FOF will not control the appointing of a majority of the CL board of directors, CL will not be consolidated with FOF subsequent to September 30, 2013.