



CITIZENLINK AND CL FOUNDATION, INC.

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditors' Report

September 30, 2015 and 2014

CITIZENLINK AND CL FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
CitizenLink and CL Foundation, Inc.
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of CitizenLink and CL Foundation, Inc., which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 and CL Foundation, Inc.
Colorado Springs, Colorado

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CitizenLink and CL Foundation, Inc. as of September 30, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Colorado Springs, Colorado
March 10, 2016

CITIZENLINK AND CL FOUNDATION, INC.

Consolidated Statements of Financial Position

	September 30,	
	2015	2014
ASSETS:		
Cash and cash equivalents	\$ 1,862,148	\$ 2,158,836
Accounts receivable	29,754	30,709
Prepaid expenses	60,546	82,080
Equipment and software–net	92,336	150,921
Total Assets	\$ 2,044,784	\$ 2,422,546
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 72,216	\$ 140,110
Accrued expenses	83,645	84,134
	155,861	224,244
Net assets:		
Unrestricted:		
Operating	1,292,012	1,517,290
Board designated–general reserve	500,000	500,000
Equity in equipment and software	92,336	150,921
	1,884,348	2,168,211
Temporarily restricted	4,575	30,091
	1,888,923	2,198,302
Total Liabilities and Net Assets	\$ 2,044,784	\$ 2,422,546

See notes to consolidated financial statements

CITIZENLINK AND CL FOUNDATION, INC.

Consolidated Statements of Activities

	Year Ended September 30,					
	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 4,109,810	\$ 230,992	\$ 4,340,802	\$ 5,419,049	\$ 48,243	\$ 5,467,292
Membership dues	25,192	-	25,192	30,497	-	30,497
Other income	116,973	-	116,973	150,307	-	150,307
Total Support and Revenue	4,251,975	230,992	4,482,967	5,599,853	48,243	5,648,096
NET ASSETS RELEASED:						
Purpose restrictions	256,508	(256,508)	-	18,152	(18,152)	-
EXPENSES:						
Program services:						
Citizenship	3,877,605	-	3,877,605	4,658,666	-	4,658,666
Supporting activities:						
General and administrative	360,510	-	360,510	333,369	-	333,369
Fund-raising	554,231	-	554,231	229,952	-	229,952
Total Expenses	4,792,346	-	4,792,346	5,221,987	-	5,221,987
Change in Net Assets	(283,863)	(25,516)	(309,379)	396,018	30,091	426,109
Net Assets, Beginning of Year	2,168,211	30,091	2,198,302	1,772,193	-	1,772,193
Net Assets, End of Year	\$ 1,884,348	\$ 4,575	\$ 1,888,923	\$ 2,168,211	\$ 30,091	\$ 2,198,302

See notes to consolidated financial statements

CITIZENLINK AND CL FOUNDATION, INC.

Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (309,379)	\$ 426,109
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	58,585	25,800
Change in operating assets and liabilities:		
Accounts receivable	955	31,418
Prepaid expenses	21,534	(7,879)
Accounts payable	(67,894)	(104,388)
Accrued expenses	(489)	(8,592)
Deferred revenue	-	(9,028)
Net Cash Provided by Operating Activities	(296,688)	353,440
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment and software	-	(175,000)
Net Cash Used by Investing Activities	-	(175,000)
Change in Cash and Cash Equivalents	(296,688)	178,440
Cash and Cash Equivalents, Beginning of Year	2,158,836	1,980,396
Cash and Cash Equivalents, End of Year	\$ 1,862,148	\$ 2,158,836

See notes to consolidated financial statements

CITIZENLINK AND CL FOUNDATION, INC.

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

1. NATURE OF ORGANIZATION:

CitizenLink is a public policy partner of Focus on the Family. As such, CitizenLink promotes policy, mobilizes grassroots voters to vote for candidates who share their Christian values, and coordinates legislative activities with an alliance of nearly 40 – some day 50 – state-based family policy councils.

CitizenLink's vision is a nation where God is honored, religious freedom flourishes, families thrive and life is cherished. To that end, CitizenLink strengthens an alliance of state-based organizations committed to this common vision, equip, and elect statesmen—men and women committed to a lifetime of public service—through an annual Statesman Academy and promote policy that protects the family, strengthens religious liberty, and affirms life from conception to natural death. Most importantly, CitizenLink engages the nation-wide Christian community in order to unleash citizenship by informing them of the important issues impacting their families and their values and then mobilizing them to engage with their legislators. Because of CitizenLink's direct engagement in legislative and election related activities, CitizenLink operates under Section 501(C)(4) of the Internal Revenue Code. As such, donations to CitizenLink are not tax deductible.

CL Foundation is the educational arm of CitizenLink and operates under Section 501(C)(3) of the Internal Revenue Code. As such, donations to CL Foundation are tax deductible. It is not a private foundation under Section 509(a). CL Foundation executes its programs in alignment with the same vision and mission as CitizenLink; however, it focuses on equipping statesmen, strengthening the state-based family policy allies and educating the Christian community on the issues of life, marriage, and family and religious liberty. Both CitizenLink and CL Foundation have common board members and officers as well as common management.

In 2016, CitizenLink and the CL Foundation will change their names to Family Policy Alliance and Family Policy Foundation, respectively. This rebrand is being undertaken to better advance the vision and mission in alliance with the state-based family policy councils. When we work together in unity to unleash citizenship, we know that our nation can once again be one where God is honored religious freedom flourishes, families thrive and life is cherished.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the consolidated financial resources and activities of CitizenLink and CL Foundation, Inc. (collectively referred to as CL). All material transactions and balances between the entities have been eliminated in the consolidation.

CITIZENLINK AND CL FOUNDATION, INC.

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

2. SUMMARY OF ACCOUNTING POLICIES:

CL maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated 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 consolidated 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 consolidated 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 AND SOFTWARE

Equipment and software 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 \$95,793 and \$37,208 as of September 30, 2015 and 2014, respectively.

CLASSES OF NET ASSETS

The consolidated financial statements report amounts separately by class of net assets.

Unrestricted net assets include resources that are used to support current operations, reserves and purposes identified by the board of directors, and amounts invested in equipment and software.

Temporarily restricted net assets include donor-restricted contributions for specified exempt purposes. Significant programs supported by donors included in temporarily restricted net assets are support for specific projects.

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 restricted by the donor for a specific purpose are recorded as support in the temporarily restricted class of net assets until the donor restriction has been met. Upon satisfaction of the restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Contributions and membership dues made to organizations that have received a 501(c)(4) designation by the Internal Revenue Service, such as CitizenLink, are not tax-deductible for federal income tax purposes.

CITIZENLINK AND CL FOUNDATION, INC.

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

2. SUMMARY OF ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENDITURES

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

CONCENTRATIONS

During the years ended September 30, 2015 and 2014, CL received contributions from one organization that totaled \$1,030,000 and \$2,425,000, respectively. These gifts accounted for approximately 22% and 43% of total support and revenue for the years ended September 30, 2015 and 2014, respectively. During the year ended September 30, 2015, CL received contributions from another organization that totaled \$725,000, approximately 16% of total support and revenue.

UNCERTAIN TAX POSITIONS

The consolidated financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated 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, 2015, CL had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

CL is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2012.

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 \$41,801 and \$40,115 for the years ended September 30, 2015 and 2014, respectively.

CITIZENLINK AND CL FOUNDATION, INC.

Notes to Consolidated Financial Statements

September 30, 2015 and 2014

4. ALLOCATION OF JOINT COSTS:

During the years ended September 30, 2015 and 2014, CL incurred joint costs for informational materials and activities that included fund-raising appeals. These programs include various newsletters, videos, and constituent relations. Costs associated with the various programs have been allocated in the consolidated statement of activities according to their functional classification as follows:

	<u>Year Ended September 30,</u>	
	<u>2015</u>	<u>2014</u>
Program services:		
Citizenship	\$ 376,326	\$ 914,935
Fund-raising	<u>183,307</u>	<u>48,155</u>
	<u>\$ 559,633</u>	<u>\$ 963,090</u>

5. COMMITMENTS:

During the year ended September 30, 2015, CL entered into various agreements with service providers for rent, email, and administrative services. Related expenses for the years ended September 30, 2015 and 2014 were \$253,916 and \$354,603, respectively. Future minimum payments for noncancellable agreements as of September 30, 2015, are:

<u>Year Ending September 30,</u>	
2016	130,455
2017	<u>130,455</u>
	<u>\$ 260,910</u>

6. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
CitizenLink and CL Foundation, Inc.
Colorado Springs, Colorado

We have audited the consolidated financial statements of CitizenLink and CL Foundation, Inc. as of and for the years ended September 30, 2015 and 2014, and our report thereon dated March 10, 2016, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual organizations, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Colorado Springs, Colorado
March 10, 2016

CITIZENLINK AND CL FOUNDATION, INC.

Consolidating Statement of Financial Position

September 30, 2015

	CitizenLink	CL Foundation, Inc.	Eliminations	Total
ASSETS:				
Cash and cash equivalents	\$ 1,842,723	\$ 19,425	\$ -	\$ 1,862,148
Accounts receivable	215,142	2,600	(187,988)	29,754
Prepaid expenses	24,090	36,456	-	60,546
Equipment and software–net	92,336	-	-	92,336
Total Assets	<u>\$ 2,174,291</u>	<u>\$ 58,481</u>	<u>\$ (187,988)</u>	<u>\$ 2,044,784</u>
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable	\$ 70,103	\$ 190,101	\$ (187,988)	\$ 72,216
Accrued expenses	83,645	-	-	83,645
	153,748	190,101	(187,988)	155,861
Net assets:				
Unrestricted:				
Operating	1,428,207	(136,195)	-	1,292,012
Board designated– general reserve	500,000	-	-	500,000
Equity in equipment and software	92,336	-	-	92,336
	2,020,543	(136,195)	-	1,884,348
Temporarily restricted	-	4,575	-	4,575
	2,020,543	(131,620)	-	1,888,923
Total Liabilities and Net Assets	<u>\$ 2,174,291</u>	<u>\$ 58,481</u>	<u>\$ (187,988)</u>	<u>\$ 2,044,784</u>

CITIZENLINK AND CL FOUNDATION, INC.

Consolidating Statement of Financial Position

September 30, 2014

	CitizenLink	CL Foundation, Inc.	Eliminations	Total
ASSETS:				
Cash and cash equivalents	\$ 2,126,393	\$ 32,443	\$ -	\$ 2,158,836
Accounts receivable	62,478	-	(31,769)	30,709
Prepaid expenses	82,080	-	-	82,080
Equipment and software–net	150,921	-	-	150,921
Total Assets	\$ 2,421,872	\$ 32,443	\$ (31,769)	\$ 2,422,546
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable	\$ 140,110	\$ 31,769	\$ (31,769)	\$ 140,110
Accrued expenses	84,134	-	-	84,134
	224,244	31,769	(31,769)	224,244
Net assets:				
Unrestricted:				
Operating	1,546,707	(29,417)	-	1,517,290
Board designated– general reserve	500,000	-	-	500,000
Equity in equipment and software	150,921	-	-	150,921
	2,197,628	(29,417)	-	2,168,211
Temporarily restricted– voter guide	-	30,091	-	30,091
	2,197,628	674	-	2,198,302
Total Liabilities and Net Assets	\$ 2,421,872	\$ 32,443	\$ (31,769)	\$ 2,422,546

CITIZENLINK AND CL FOUNDATION, INC.

Consolidating Statement of Activities

Year Ended September 30, 2015

	CitizenLink	CL Foundation, Inc.	Eliminations	Total
SUPPORT AND REVENUE:				
Contributions	\$ 4,038,446	\$ 302,356	\$ -	\$ 4,340,802
Membership dues	25,192	-	-	25,192
Other income	116,795	178	-	116,973
	4,180,433	302,534	-	4,482,967
EXPENSES:				
Program services:				
Citizenship	3,596,418	281,187	-	3,877,605
Supporting activities:				
General and administrative	287,527	72,983	-	360,510
Fund-raising	473,573	80,658	-	554,231
	761,100	153,641	-	914,741
Total Expenses	4,357,518	434,828	-	4,792,346
Change in Net Assets	(177,085)	(132,294)	-	(309,379)
Net Assets, Beginning of Year	2,197,628	674	-	2,198,302
Net Assets, End of Year	\$ 2,020,543	\$ (131,620)	\$ -	\$ 1,888,923

CITIZENLINK AND CL FOUNDATION, INC.

Consolidating Statement of Activities

Year Ended September 30, 2014

	CitizenLink	CL Foundation, Inc.	Eliminations	Total
SUPPORT AND REVENUE:				
Contributions	\$ 5,419,049	\$ 48,243	\$ -	\$ 5,467,292
Membership dues	30,497	-	-	30,497
Other income	150,307	-	-	150,307
	<u>5,599,853</u>	<u>48,243</u>	<u>-</u>	<u>5,648,096</u>
EXPENSES:				
Program services:				
Citizenship	4,640,514	18,152	-	4,658,666
Supporting activities:				
General and administrative	303,952	29,417	-	333,369
Fund-raising	229,952	-	-	229,952
	<u>533,904</u>	<u>29,417</u>	<u>-</u>	<u>563,321</u>
Total Expenses	<u>5,174,418</u>	<u>47,569</u>	<u>-</u>	<u>5,221,987</u>
Change in Net Assets	425,435	674	-	426,109
Net Assets, Beginning of Year	<u>1,772,193</u>	<u>-</u>	<u>-</u>	<u>1,772,193</u>
Net Assets, End of Year	<u>\$ 2,197,628</u>	<u>\$ 674</u>	<u>\$ -</u>	<u>\$ 2,198,302</u>