

Online for Life, Inc.
Audited Financial Statements
December 31, 2014

Preston & Dake, P.C.

Certified Public Accountants
& Consultants

Online for Life, Inc.
December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Online for Life, Inc.

We have audited the accompanying financial statements of Online for Life, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statement of activities, functional expenses, 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 generally accepted accounting principles (GAAP) in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Online for Life, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with generally accepted accounting principles (GAAP) in the United States of America.

Preston & Dake, P.C.

Preston & Dake, P.C.
Dallas, Texas

March 1, 2015

Online for Life, Inc.
Statement of Financial Position
December 31, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,492,849
Investments	113,652
Accounts receivable, net of allowance of \$5,400	29,622
Inventory	44,559
Prepaid expenses and deposits	231,374
Pledges receivable, net of allowance of \$6,220	<u>56,476</u>
Total Current Assets	1,968,532

Property and Equipment

Property and equipment	287,459
Accumulated depreciation	<u>(51,142)</u>
Net Property and Equipment	236,317

Other Assets

Intangible assets net of accumulated amortization of \$37,933	81,135
Security deposit	<u>7,611</u>
Total Other Assets	<u>88,746</u>
Total Assets	<u><u>\$ 2,293,595</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 164,907
Credit cards payable	2,886
Sales tax liabilities	<u>195</u>
Total Current Liabilities	167,988

Net Assets

Unrestricted	<u>2,125,607</u>
Total Net Assets	<u>2,125,607</u>
Total Liabilities and Net Assets	<u><u>\$ 2,293,595</u></u>

See accompanying Independent Auditors' Report and notes to financial statements.

Online for Life, Inc.
Statement of Activities
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Support				
Grant income	\$ 1,219,545	\$ 2,500,000	\$ -	\$ 3,719,545
Donor income	1,722,787	-	-	1,722,787
Program service revenue - pregnancy resource centers	246,338	-	-	246,338
Product sales income	21,987	-	-	21,987
Interest income	300	-	-	300
Net unrealized loss on investments	(667)	-	-	(667)
Total Revenues, Gains, and Support	3,210,290	2,500,000	-	5,710,290
Net assets released from restriction	2,500,000	(2,500,000)	-	-
Total Revenues, Gains, and Support	5,710,290	-	-	5,710,290
Expenses:				
Program services	3,730,991	-	-	3,730,991
Supporting services				
Management and general	316,753	-	-	316,753
Fundraising	918,909	-	-	918,909
Total Expenses	4,966,653	-	-	4,966,653
Non-Operating Revenues				
Inherent contributions				
Acquisition of pregnancy resource centers	420,874	-	-	420,874
Total non-operating revenues	420,874	-	-	420,874
Increase in Net Assets	1,164,511	-	-	1,164,511
Net Assets at Beginning of Year	961,096	-	-	961,096
Net Assets at End of Year	\$ 2,125,607	\$ -	\$ -	\$ 2,125,607

See accompanying Independent Auditors' Report and notes to financial statements.

Online for Life, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2014

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Compensation and related expenses				
Compensation	\$ 1,545,287	\$ 143,844	\$ 239,923	\$ 383,767
Health/dental insurance	167,092	10,259	22,018	32,277
Payroll taxes	130,385	8,005	17,181	25,186
Total Compensation Expenses	1,842,764	162,108	279,122	441,230
Cost of Goods Sold	-	-	12,108	12,108
Contractor Fees				
Legal	14,738	-	14,001	14,001
Accounting	-	45,873	-	45,873
Professional fundraising	-	-	113,310	113,310
Other Contractors	89,399	8,903	77,854	86,757
Occupancy				
Rent	162,122	20,265	20,265	40,530
Utilities	33,635	1,486	1,486	2,972
Social media outreach	407,480	-	45,153	45,153
Office expenses	88,492	47,972	60,935	108,907
Information technology	171,441	19,651	19,666	39,317
Travel	126,963	2,573	20,530	23,103
Insurance	12,232	1,529	1,529	3,058
Printing and postage	257,537	-	171,692	171,692
Client program support	358,908	-	-	-
Church program support	33,032	-	-	-
Community program events	68,646	-	68,646	68,646
Depreciation and amortization	43,045	5,381	5,381	10,762
Other expenses	20,557	1,011	7,231	8,242
Total Expenditures	\$ 3,730,991	\$ 316,752	\$ 918,909	\$ 1,235,661

See accompanying Independent Auditors' Report and notes to financial statements.

Online for Life, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2014

Cash Flows from Operating Activities

Increase in net assets	\$ 1,164,511
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	53,807
Disposition/expensing of capitalized assets	149,214
Unrealized loss on investments	667
Inherent contributions (non-cash)	(142,709)
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(29,622)
(Increase) decrease in inventory	(26,802)
(Increase) decrease in pledges receivable	(54,487)
(Increase) decrease in other current assets	1,989
(Increase) decrease in prepaid expenses and deposits	(230,889)
Increase (decrease) in accounts payable	108,548
Increase (decrease) in credit cards payable	(6,330)
Increase (decrease) in other current liabilities	138
Net cash provided by operating activities	988,035

Cash Flows from Investing Activities

Cash purchases of fixed assets	(179,737)
Cash purchases of intangible assets	(78,328)
Net cash used by investing activities	(258,065)

Net Increase in Cash and Cash Equivalents 729,970

Cash and Cash Equivalents at Beginning of Year 762,879

Cash and Cash Equivalents at End of Year **\$ 1,492,849**

See accompanying Independent Auditors' Report and notes to financial statements.

Online for Life, Inc.
Notes to Financial Statements
December 31, 2014

Note 1—Summary of Significant Accounting Policies

This summary of significant accounting policies of Online for Life, Inc. (the Organization), is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who are responsible for their integrity and objectivity of the financial statements.

Organization

Online for Life, Inc. (OFL) is organized as a non-profit corporation in the state of Texas.

Nature of Activities

Online For Life, Inc. is a 501(c)(3) nonprofit organization that works online and offline to reach women and men who have concerns and needs related to unexpected pregnancy. The organization comes alongside them in their time of crisis and connects them with organizations who are staffed and trained to provide compassion, thoughtfulness, and helpful information.

Accounting Method

The Organization uses the accrual method of accounting as required under Accounting Standards Generally Accepted in the United States of America and follows FASB ASC 958-205-05-4, formerly SFAS 117, accounting for non-profit entities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all deposits redeemable on demand, certificates of deposits, and short-term debt securities purchased with maturity of three months or less to be cash equivalents.

Sources of Revenue

The Organization receives revenue through grants, independent donors, and product sales.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

See accompanying Independent Auditors' report.

Online for Life, Inc.
Notes to Financial Statements
December 31, 2014

Note 1—Summary of Significant Accounting Policies (Continued)

Property and Equipment

Purchased property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in the service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is calculated over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The Organization uses other depreciation methods (generally accelerated) for tax purposes where appropriate.

The Organization reviews the carrying values of all property and equipment, including intangibles (discussed below) whenever circumstances indicate that the carrying value of such long-lived assets may not be recoverable from future cash flows expected to result from the used and ultimate disposition of each asset. In cases where the un-discounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value. The factors considered by management in performing this assessment include current operating economic factors. Based on these criteria, there was no impairment in 2014.

Estimated useful lives for significant property and equipment categories are as follows:

Office furniture and equipment	5 to 10 years
Computers	5 years
Videos	3 years

See accompanying Independent Auditors' report.

Online for Life, Inc.
Notes to Financial Statements
December 31, 2014

Note 1—Summary of Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost or market. Cost is determined by the average cost method. Included in inventory are books, shirts, bracelets, and other marketing items.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that are used.

Investments

The Organization's mutual funds are carried at fair value, which represents reported market value as of the last business day of the fiscal year. Transactions are recorded at the trade date. At December 31, 2014, all investments were measured at fair value using quoted prices where available in actively traded markets (level).

Note 2—Restrictions on Net Assets

One grantor, a private foundation, restricts the use of funds to the Initial Core Plan of the Organization to convert from a volunteer effort to a full-time organization with specific program goals. See note 3. Other donors or contributors do not have specified restrictions on funds currently held by the Organization. At December 31, 2014, no assets were restricted.

Note 3—Grant Agreement

In 2012, the Organization was awarded a grant from a private foundation which restricts the use of the funds to the Initial Core Plan as outlined in the agreement. Funds are paid in installments and are to be held in an interest bearing account. During the year ended December 31, 2014, \$2,500,000 was received under the grant agreement.

Note 4—Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Management provides for probable uncollectible amounts through a provision for uncollectible pledges receivable. Balances that are still outstanding after management has used reasonable collection efforts are charged off. Allowance for doubtful accounts was \$6,220 at December 31, 2014.

Online for Life, Inc.
Notes to Financial Statements
December 31, 2014

Note 5—Accounts Receivable

Accounts receivable consists primarily of fees due from program services and are non-interest bearing. Accounts receivable is reported net of an allowance of \$5,400 at December 31, 2014. Accounts receivable balances are charged off after being deemed uncollectible by management.

Note 6—Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes could materially affect the investment amounts reported in the statement of financial position.

Note 7 – Property and Equipment

Property and equipment and accumulated depreciation account balances as of December 31, 2014 are as follows:

Office furniture and equipment	\$ 77,087
Leasehold improvements	55,194
Computers	77,099
Videos	78,079
	<u>\$ 287,459</u>
Less accumulated depreciation	(51,142)
Net Property and Equipment	<u><u>\$ 236,317</u></u>

Depreciation expense for the year ended 2014 amounted to \$33,585.

Note 8—Intangible Assets

Intangible assets are being amortized on a straight line basis over its estimated useful life of three years. Intangible asset account balances at December 31, 2014 are as follows:

Software Development net of accumulated amortization of \$29,841	\$ 13,848
Website and mobile applications net of accumulated amortization of \$7,759	63,620
Copyright net of accumulated amortization of \$333	3,667
Net Intangible Assets	<u><u>\$ 81,135</u></u>

Amortization expense for the year ended 2014 amounted to \$20,221. The organization recorded 2014 expense of \$112,852 to reflect retirement of previously capitalized website and mobile application properties.

See accompanying Independent Auditors' report.

Online for Life, Inc.
Notes to Financial Statements
December 31, 2014

Note 9—Investments

The Organization's investments at December 31, 2014 valued as described in Note 1 are as follows:

	Amortized Cost	Fair Value
Mutual Funds - Black Rock	\$ 64,923	\$ 63,878.00
Mutual Funds - Pacific	49,395	49,774
	<u>\$ 114,318</u>	<u>\$ 113,652</u>

Note 10—Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation of other names

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

At December 31, 2014, all investments were measured at fair value using quoted market prices where available in actively traded markets (level 1).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

See accompanying Independent Auditors' report.

Online for Life, Inc.
Notes to Financial Statements
December 31, 2014

Note 10—Fair Value Measurements (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: Valued at the net asset value of shares held by the plan at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 11—Concentrations

The Organization maintains its cash balances at one financial institution located in North Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 on interest bearing and unlimited on non-interest bearing accounts. As of December 31, 2014 the Organization had \$718,210 of cash deposits in excess of insured limits.

For the year ended December 31, 2014, one grantor accounted for 67% of grant revenue and approximately 44% of all revenue before donated goods and assets.

Note 12—Income Taxes

The Organization files income tax returns in the U.S. federal jurisdiction. With few exceptions, the Organization is no longer subject to income tax examinations by tax authorities for years before 2010.

One grant, from a private foundation, is treated as an unusual grant under Treasury Regulation Code Section 1.509(a)-3(c)(3)-(4) under supported facts, to avoid tipping Online for Life to private foundation status.

The Organization follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification 740-10-65-1. The Organization recognized no increase in the liability for unrecognized tax benefits. The Organization has no tax position at December 31, 2014 for which the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductibility. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the period presented. The Organization had no accruals for interest and penalties at December 31, 2014.

Online for Life, Inc.
Notes to Financial Statements
December 31, 2014

Note 13—Project Covenants and Grant Agreements

Online for Life grants services to pregnancy resource centers (PRC's) and other life affirming agencies in four core areas: Internet marketing and client lead generation, client call support and analysis, client cycle analysis and support, and the iPhone application. In exchange for such marketing resources and services, the PRC's are to provide monthly donations which will contribute to the marketing costs of the program incurred by Online for Life.

Note 14—Leases

The Organization leases three offices and under three operating leases.

Future minimum lease payments over the next five years are as follows:

2015	\$	239,475
2016		240,249
2017		216,533
2018		167,090
2019		88,400
		<hr/>
		\$ 951,748

Rent expense for the year ended December 31, 2014 amounted to \$202,652.

Note 15 – Related Party Transactions

The founder and chairman of the board is also employed by the Organization as the President. During the year ended December 31, 2014, he was paid \$157,929.

Note 16 – Compensated Absences

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. These financial statements are prepared on the modified cash basis and do not reflect an estimate of the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

Note 17 – Recently-Adopted Financial Accounting and Reporting Standards

The accounting and reporting principles governing amounts, presentations and disclosures in financial statements are subject to change from time to time based on new pronouncements and/or rules issued by regulatory bodies. New pronouncements not yet in effect as of December 31, 2014, will not have a significant impact on the Organization's financial position, results of operations and cash flows.

See accompanying Independent Auditors' report.

Online for Life, Inc.
Notes to Financial Statements
December 31, 2014

Note 18 – Inherent Contributions

In 2014 the Organization acquired and began operating two pregnancy resources centers. The Organization received cash, investments, computer equipment, and other operating supplies totaling \$420,874, net of liabilities assumed. The assets and goods received were recorded at their estimated market value.

Note 19 – Subsequent Events

Management is not aware of other subsequent events which could have a material effect on the Organization's financial position. Subsequent events have been evaluated through March 1, 2015.