



LIFE CENTERS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditors' Report

December 31, 2009 and 2008

LIFE CENTERS, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Life Centers, Inc.
Indianapolis, Indiana

We have audited the accompanying consolidated statements of financial position of Life Centers, Inc. as of December 31, 2009 and 2008, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Life Center's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Life Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, except for the effects of such adjustments that might have been determined to be necessary had we been able to perform proper tests and procedures on the Life Centers' gift-in-kind contributions for the year ended December 31, 2008, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Life Centers, Inc. as of December 31, 2009 and 2008, and its consolidated statements of activities and changes in net assets, and its consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Greenwood, Indiana
April 8, 2010

LIFE CENTERS, INC.

Consolidated Statements of Financial Position

	December 31,	
	2009	2008
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 92,855	\$ 233,546
Investments	1,868	-
Contributions receivable-net	180	5,860
Prepaid expenses	82,500	6,000
Total current assets	<u>177,403</u>	<u>245,406</u>
Leasehold improvements and equipment, at cost-net	<u>155,362</u>	<u>180,860</u>
Total Assets	<u>\$ 332,765</u>	<u>\$ 426,266</u>
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 33,051	\$ 37,193
Accrued payroll and other accrued expenses	<u>28,405</u>	<u>29,085</u>
Total liabilities	<u>61,456</u>	<u>66,278</u>
Net assets:		
Unrestricted:		
Operating	38,862	143,180
Net investment in leasehold improvements and equipment	<u>155,362</u>	<u>180,860</u>
	194,224	324,040
Temporarily restricted	<u>77,085</u>	<u>35,948</u>
Total net assets	<u>271,309</u>	<u>359,988</u>
Total Liabilities and Net Assets	<u>\$ 332,765</u>	<u>\$ 426,266</u>

See notes to consolidated financial statements

LIFE CENTERS, INC.

Consolidated Statements of Activities

	Year Ended December 31,					
	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Support:						
Contributions	\$1,190,791	\$ 77,085	\$1,267,876	\$1,520,356	\$ 25,076	\$1,545,432
Special event support	224,343	-	224,343	27,420	-	27,420
Contributed services	323,355	-	323,355	319,724	-	319,724
Gift-in-kind	227,961	-	227,961	168,226	-	168,226
Total support	1,966,450	77,085	2,043,535	2,035,726	25,076	2,060,802
Revenue:						
Other revenue	6,228	-	6,228	5,067	-	5,067
Investment income	372	-	372	7,076	-	7,076
Loss on sale of property	-	-	-	(62,528)	-	(62,528)
Total revenue	6,600	-	6,600	(50,385)	-	(50,385)
Total Support and Revenue	1,973,050	77,085	2,050,135	1,985,341	25,076	2,010,417
RECLASSIFICATIONS:						
Net assets released from restriction by satisfaction of purpose restrictions	35,948	(35,948)	-	26,426	(26,426)	-
EXPENSES:						
Program services:						
Client services	1,470,355	-	1,470,355	1,817,308	-	1,817,308
Supporting activities:						
Management and general	248,479	-	248,479	348,500	-	348,500
Fund-raising and community outreach	419,980	-	419,980	448,854	-	448,854
Total Expenses	2,138,814	-	2,138,814	2,614,662	-	2,614,662
Change in Net Assets	(129,816)	41,137	(88,679)	(602,895)	(1,350)	(604,245)
Net Assets, Beginning of Year	324,040	35,948	359,988	926,935	37,298	964,233
Net Assets, End of Year	\$ 194,224	\$ 77,085	\$ 271,309	\$ 324,040	\$ 35,948	\$ 359,988

See notes to consolidated financial statements

LIFE CENTERS, INC.

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (88,679)	\$ (604,245)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	57,486	59,315
Net unrealized and realized gain on investments	(63)	(746)
Donated investments	(2,890)	-
Donated equipment	(31,699)	(54,404)
Loss on sale of equipment and property held for sale	3,385	86,321
Changes in:		
Contributions receivable	5,680	8,775
Prepaid expenses	(76,500)	22,772
Accounts payable	(4,142)	(16,653)
Accrued payroll and other accrued expenses	(680)	(17,779)
Net Cash Used by Operating Activities	(138,102)	(516,644)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on sale of equipment and property held for sale	700	174,000
Purchases of leasehold improvements and equipment	(4,374)	(14,307)
Proceeds from investments	1,085	491,187
Net Cash Provided (Used) by Investing Activities	(2,589)	650,880
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on notes payable	-	(435,000)
Proceeds from notes payable	-	250,000
Net Cash Used by Financing Activities	-	(185,000)
Change in Cash	(140,691)	(50,764)
Cash, Beginning of Year	233,546	284,310
Cash, End of Year	\$ 92,855	\$ 233,546
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest (\$-0- capitalized in 2009 and 2008)	\$ -	\$ 16,779
Donated Stock	\$ 2,890	\$ -
Contributed Services	\$ 323,355	\$ 319,724
Gift-in-Kind	\$ 227,961	\$ 168,226

See notes to consolidated financial statements

LIFE CENTERS, INC.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

1. NATURE OF ORGANIZATION:

Life Centers, Inc. (Life Centers) formerly known as Central Indiana Crisis Pregnancy Center, Inc. is an Indiana nonprofit corporation and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Life Center's mission is to affirm the value of life by providing a network of care to those experiencing pregnancy related crisis and by compassionately presenting Biblical truth resulting in changed lives to the glory of God.

Life Centers conducts its mission from eight locations in Boone, Hendricks, and Marion counties. Life Center's primary program services consist of: pregnancy testing, ultrasound testing, and personal counseling to women facing unplanned pregnancies. Life Centers also provides support services (clothing and baby supplies) to its clients. Life Center's services are provided from a Christian and pro-life perspective. All program services are provided free of charge.

Support for Life Centers comes in the form of contributions from individuals, churches, and other organizations in central Indiana. Life Centers also receives gift-in-kind contributions of baby supplies, clothing, and other items. Hundreds of volunteers donate time each year in the areas of counseling and administrative support. Life Centers conducts two primary fund-raising events: a spring "Celebration of Life" event and a "Walk for Life" in the fall.

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

CONSOLIDATION

The consolidated financial statements include the accounts of Life Centers and CICPC LLC, a limited liability company of which Life Centers was the sole member. CICPC LLC owned a property in Indianapolis, Indiana, and had debt related to that property. At December 31, 2007, the property was listed for sale for \$229,900 and the outstanding debt on the property was \$185,000 to be paid in full at maturity with interest of seven percent. This promissory note was secured by a mortgage. The property was sold, and the debt was paid off in 2008. No other activity occurred within CICPC LLC during 2008 or 2009. CICPC LLC was dissolved in May 2009. All inter-organizational activity between Life Centers and CICPC LLC was eliminated from the consolidated financial statements.

LIFE CENTERS, INC.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NET ASSETS

The consolidated financial statements have been prepared in accordance with the Presentation of Financial Statements Topic of the FASB Accounting Standards Codification which requires among other things that the consolidated financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable.

Unrestricted net assets represent amounts available for use in the Life Centers under the direction of the board and net investment in leasehold improvements and equipment.

Temporarily restricted net assets represent amounts contributed with donor stipulations for specific operating purposes or programs.

Permanently restricted net assets represent amounts contributed with donor stipulations to be maintained in perpetuity. At December 31, 2009 and 2008, the Life Centers had no permanently restricted net assets.

CASH AND CREDIT RISK

Cash includes cash on hand and checking, savings, and money market accounts. Life Centers had no cash in excess of FDIC limits for both the years ended December 31, 2009 and 2008, respectively. The client has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on these accounts.

INVESTMENTS

Investments in equity securities with readily determinable fair market values and all debt securities are reported at fair value. Donated investments are recorded at estimated value on the date of the gift and thereafter reported in accordance with above policy.

LIFE CENTERS, INC.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS RECEIVABLE

Contributions receivable are normally allowed for when they are considered to be uncollectible. As of December 31, 2009 and 2008, management considered approximately \$7,000 and \$15,300 uncollectible, respectively.

PREPAID EXPENSES

Prepaid expenses relate to expenses paid prior to fiscal year end for the annual Celebration of Life spring event.

CONTRIBUTED SERVICES AND GIFT-IN-KIND

Life Centers recognizes contributed support for services received at the fair value of those services and that meet generally accepted accounting principles reporting requirements. These contributed services consist of donated ultrasound hours and counseling hours. For the years ended December 31, 2009 and 2008, Life Centers reported \$323,355 and \$319,724, respectively of contributed services that meet reporting standards. Life Centers also receives donations of items that are reported as gift-in-kind. These donations consist primarily of packs of diapers, cans of formula, clothing, furniture, and miscellaneous baby items. The total gift-in-kind for the years ended December 31, 2009 and 2008, was \$227,961 and \$168,226, respectively. In addition, Life Centers had approximately 10,500 and 7,200 volunteer hours for services that did not meet reporting requirements in 2009 and 2008, respectively.

LEASEHOLD IMPROVEMENTS, EQUIPMENT, AND DEPRECIATION

Items capitalized as leasehold improvements and equipment are reported at cost or, if donated, at market value on the date of donation. The capitalization policy is \$1,000. Donated leasehold improvements and equipment are reported as unrestricted support unless explicit donor stipulations specify how the assets must be used. Depreciation is reported on the straight-line basis over the useful lives of the assets ranging from five to seven years. Depreciation expense totaled \$57,486 and \$59,315 for the years ended December 31, 2009 and 2008, respectively.

SUPPORT, REVENUE, AND RECLASSIFICATION

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Life Centers.

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

LIFE CENTERS, INC.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

EXPENSES, ALLOCATION OF EXPENSES, ADVERTISING, AND JOINT COSTS

Expenses are reported when incurred and reported on the functional basis in the statements of activities. Advertising expense was approximately \$27,700 and \$34,300 for the years ended December 31, 2009 and 2008, respectively. Accordingly, expenses have been allocated among the various program services and supporting activities benefited. For the years ended December 31, 2009 and 2008, expenses were allocated among the functional categories on the basis of specific identification and estimates of time spent and benefits derived. Life Centers incurred joint costs for personnel expenses, employee and volunteer expenses, supply expenses, administrative expenses, building expenses, equipment expenses, and advertising expenses for the years ended December 31, 2009 and 2008. See functional allocation below for dollar amounts of joint costs.

Functional allocation of expenses was as follows for the year ended December 31, 2009.

	<u>Client Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Total</u>
5000–Personnel expenses	\$ 411,983	\$ 173,104	\$ 105,595	\$ 690,682
5100–Employee and volunteer expense	322,506	2,819	19,782	345,107
5200–Events	-	-	222,216	222,216
5300–Supplies	233,752	2,004	45,620	281,376
5400–Administrative	92,075	58,047	13,673	163,795
5500–Building expense	326,262	10,789	10,789	347,840
5600–Equipment	58,568	466	1,046	60,080
5700–Advertising	25,209	1,250	1,259	27,718
	<u>\$ 1,470,355</u>	<u>\$ 248,479</u>	<u>\$ 419,980</u>	<u>\$ 2,138,814</u>

LIFE CENTERS, INC.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

EXPENSES, ALLOCATION OF EXPENSES, ADVERTISING, AND JOINT COSTS, continued

Functional allocation of expenses was as follows for the year ended December 31, 2008.

	<u>Client Services</u>	<u>Management and General</u>	<u>Fund-Raising</u>	<u>Total</u>
5000–Personnel expenses	\$ 614,586	\$ 246,595	\$ 115,645	\$ 976,826
5100–Employee and volunteer expense	341,678	2,127	3,113	346,918
5200–Events	8,668	572	145,561	154,801
5300–Supplies	197,287	3,598	73,479	274,364
5400–Administrative	182,751	77,207	84,375	344,333
5500–Building expense	392,888	13,927	13,580	420,395
5600–Equipment	58,069	2,204	2,485	62,758
5700–Advertising	21,381	2,270	10,616	34,267
	<u>\$ 1,817,308</u>	<u>\$ 348,500</u>	<u>\$ 448,854</u>	<u>\$ 2,614,662</u>

RECENTLY ISSUED ACCOUNTING STANDARDS

On January 1, 2009, Life Centers adopted the new provisions of the Income Tax Topic of the FASB ASC. These provisions clarify the accounting for uncertainty in tax positions and prescribe guidance related to the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the consolidated statements of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of December 31, 2009, Life Centers had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

RESTATEMENTS

Certain amounts have been restated to conform with current year presentation.

LIFE CENTERS, INC.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

3. LEASEHOLD IMPROVEMENTS AND EQUIPMENT:

	December 31,	
	2009	2008
Leasehold improvements	\$ 107,215	\$ 150,689
Furniture and equipment	366,229	334,583
Total leasehold improvements and equipment	473,444	485,272
Less accumulated depreciation	(318,082)	(304,412)
Net leasehold improvements and equipment	\$ 155,362	\$ 180,860

4. TEMPORARILY RESTRICTED NET ASSETS, CONTRIBUTIONS, AND RECLASSIFICATIONS:

	December 31, 2008	Contributions	Releases	December 31, 2009
Celebration of Life Speaker Fees	\$ 24,000	\$ 75,000	\$ (24,000)	\$ 75,000
Avon Center	-	2,085	-	2,085
Northwest Center	11,948	-	(11,948)	-
	\$ 35,948	\$ 77,085	\$ (35,948)	\$ 77,085

	December 31, 2007	Contributions	Releases	December 31, 2008
Celebration of Life Speaker Fees	\$ -	\$ 24,000	\$ -	\$ 24,000
Avon Center	-	-	-	-
Lebanon Center	26,426	-	(26,426)	-
Northwest Center	10,872	1,076	-	11,948
	\$ 37,298	\$ 25,076	\$ (26,426)	\$ 35,948

LIFE CENTERS, INC.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

5. EMPLOYEE BENEFITS:

RETIREMENT PLAN

Life Centers established a 403(b) savings plan whereby employees may elect to make contributions pursuant to a salary reduction agreement, upon meeting age and length-of-service requirements. Annually, Life Centers determines a maximum matching level. Matching contributions of approximately \$4,500 and \$16,000 were made to the plan during the years ended December 31, 2009 and 2008, respectively.

OTHER BENEFITS

Life Centers provides its full-time employees with group life term insurance and group medical insurance (including dental and vision). Participants should refer to the respective plan agreements and employee manual for a more complete description of the benefit provisions. Total expenses incurred by Life Centers for these benefits were approximately \$137,800 and \$156,200 for the years ended December 31, 2009 and 2008, respectively.

6. COMMITMENTS:

Operating lease expense relating to office space and equipment for the years ended December 31, 2009 and 2008, was approximately \$251,000 and \$297,500, respectively. Remaining noncancelable minimum lease payments are approximately as follows:

<u>Year Ending December 31,</u>	
2010	\$ 218,800
2011	198,900
2012	184,200
2013	93,400
2014	18,400
	<u>\$ 713,700</u>

Life Centers entered into three agreements after fiscal year end for its annual spring event. These agreements require Life Centers to pay speaker fees, food costs, and other expenses in conjunction with the event. The estimated unpaid commitments for 2010 are approximately \$99,300. Life Centers has paid approximately \$82,500 prior to fiscal year end, and this amount is included in prepaid expenses.

LIFE CENTERS, INC.

Notes to Consolidated Financial Statements

December 31, 2009 and 2008

7. RELATED PARTY:

Life Centers purchases insurance from a board member's company. The total amount paid for insurance for the years ended December 31, 2009 and 2008, was \$8,637 and \$5,829, respectively. General operating contributions and contributions for the spring Celebration of Life events from board members were \$74,825 and \$91,600 for the years ended December 31, 2009 and 2008, respectively.

8. 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.