



FAMILY POLICY ALLIANCE AND
FAMILY POLICY FOUNDATION

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2016 and 2015

FAMILY POLICY ALLIANCE AND FAMILY POLICY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Family Policy Alliance and Family Policy Foundation
Colorado Springs, Colorado

We have audited the accompanying consolidated financial statements of Family Policy Alliance and Family Policy Foundation, formerly known as CitizenLink and CitizenLink Foundation, Inc., which comprise the consolidated statements of financial position as of September 30, 2016 and 2015, 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 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 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
Family Policy Alliance and Family Policy Foundation
Colorado Springs, Colorado

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Family Policy Alliance and Family Policy Foundation as of September 30, 2016 and 2015, 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
February 10, 2017

FAMILY POLICY ALLIANCE AND FAMILY POLICY FOUNDATION

Consolidated Statements of Financial Position

	September 30,	
	2016	2015
ASSETS:		
Cash and cash equivalents	\$ 2,300,398	\$ 1,862,148
Accounts receivable	21,032	29,754
Prepaid expenses	13,490	60,546
Equipment and software–net	34,003	92,336
Total Assets	\$ 2,368,923	\$ 2,044,784
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 138,585	\$ 72,216
Accrued expenses	124,195	83,645
	262,780	155,861
Net assets:		
Unrestricted:		
Operating	1,522,365	1,292,012
Board designated–general reserve	500,000	500,000
Equity in equipment and software	34,003	92,336
	2,056,368	1,884,348
Temporarily restricted	49,775	4,575
	2,106,143	1,888,923
Total Liabilities and Net Assets	\$ 2,368,923	\$ 2,044,784

See notes to consolidated financial statements

FAMILY POLICY ALLIANCE AND FAMILY POLICY FOUNDATION

Consolidated Statements of Activities

	Year Ended September 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 3,941,217	\$ 545,949	\$ 4,487,166	\$ 4,109,810	\$ 230,992	\$ 4,340,802
Membership dues	20,322	-	20,322	25,192	-	25,192
Other income	64,565	-	64,565	116,973	-	116,973
Total Support and Revenue	4,026,104	545,949	4,572,053	4,251,975	230,992	4,482,967
NET ASSETS RELEASED:						
Purpose restrictions	500,749	(500,749)	-	256,508	(256,508)	-
EXPENSES:						
Program services:						
Citizenship	3,592,868	-	3,592,868	3,877,605	-	3,877,605
Supporting activities:						
General and administrative	360,928	-	360,928	360,510	-	360,510
Fund-raising	401,037	-	401,037	554,231	-	554,231
Total Expenses	4,354,833	-	4,354,833	4,792,346	-	4,792,346
Change in Net Assets	172,020	45,200	217,220	(283,863)	(25,516)	(309,379)
Net Assets, Beginning of Year	1,884,348	4,575	1,888,923	2,168,211	30,091	2,198,302
Net Assets, End of Year	\$ 2,056,368	\$ 49,775	\$ 2,106,143	\$ 1,884,348	\$ 4,575	\$ 1,888,923

See notes to consolidated financial statements

FAMILY POLICY ALLIANCE AND FAMILY POLICY FOUNDATION

Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 217,220	\$ (309,379)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,333	58,585
Change in operating assets and liabilities:		
Accounts receivable	8,722	955
Prepaid expenses	47,056	21,534
Accounts payable	66,369	(67,894)
Accrued expenses	40,550	(489)
Net Cash Provided (Used) by Operating Activities	<u>438,250</u>	<u>(296,688)</u>
Change in Cash and Cash Equivalents	438,250	(296,688)
Cash and Cash Equivalents, Beginning of Year	<u>1,862,148</u>	<u>2,158,836</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,300,398</u>	<u>\$ 1,862,148</u>

See notes to consolidated financial statements

FAMILY POLICY ALLIANCE AND FAMILY POLICY FOUNDATION

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

1. NATURE OF ORGANIZATION:

Family Policy Alliance, formerly known as CitizenLink, is a public policy partner of Focus on the Family. As such, Family Policy Alliance 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.

Family Policy Alliance's vision is a nation where God is honored, religious freedom flourishes, families thrive and life is cherished. To that end, Family Policy Alliance 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, Family Policy Alliance 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 Family Policy Alliance's direct engagement in legislative and election related activities, Family Policy Alliance operates under Section 501(C)(4) of the Internal Revenue Code. As such, donations to Family Policy Alliance are not tax deductible.

Family Policy Foundation, formerly known as CitizenLink Foundation, Inc., is the educational arm of Family Policy Alliance and operates under Section 501(C)(3) of the Internal Revenue Code. As such, donations to Family Policy Foundation are tax deductible. It is not a private foundation under Section 509(a). Family Policy Foundation executes its programs in alignment with the same vision and mission as Family Policy Alliance; 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 Family Policy Alliance and Family Policy Foundation have common board members and officers as well as common management.

PRINCIPLES OF CONSOLIDATION

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

FAMILY POLICY ALLIANCE AND FAMILY POLICY FOUNDATION

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

2. SUMMARY OF ACCOUNTING POLICIES:

FPA and FPF maintain their 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

FPA and FPF consider 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. FPA and FPF have 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. FPA and FPF capitalize 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 \$154,126 and \$95,793 as of September 30, 2016 and 2015, 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 and programs. As of December 31, 2016, the temporarily restricted net asset balance of \$49,775 was restricted for the formation of Family Policy Alliance of Georgia.

FAMILY POLICY ALLIANCE AND FAMILY POLICY FOUNDATION

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

2. SUMMARY OF ACCOUNTING POLICIES, continued:

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 Family Policy Alliance, 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 consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

CONCENTRATIONS

During the years ended September 30, 2016 and 2015, FPA and FPF received contributions from one organization that totaled \$600,000 and \$1,030,000, respectively. These gifts accounted for approximately 13% and 22% of total support and revenue for the years ended September 30, 2016 and 2015, respectively. During the year ended September 30, 2015, FPA and FPF received contributions from another organization that totaled \$725,000, accounting for 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, 2016, FPA and FPF had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

FPA and FPF are generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

3. RETIREMENT PLAN:

FPA and FPF sponsor a defined contribution retirement plan under section 401(k) of the Internal Revenue Code covering substantially all regular, full-time employees meeting eligibility requirements. FPA and FPF provide a discretionary matching contribution from 3% to 6% of participant compensation, depending on years of service. It is FPA and FPF's policy to fund retirement plan costs. Total employer contributions to the plan were \$35,489 and \$41,801 for the years ended September 30, 2016 and 2015, respectively.

FAMILY POLICY ALLIANCE AND FAMILY POLICY FOUNDATION

Notes to Consolidated Financial Statements

September 30, 2016 and 2015

4. ALLOCATION OF JOINT COSTS:

During the years ended September 30, 2016 and 2015, FPA and FPF 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 statements of activities according to their functional classification as follows:

	Year Ended September 30,	
	2016	2015
Program services:		
Citizenship	\$ 461,747	\$ 376,326
Fund-raising	108,746	183,307
	<u>\$ 570,493</u>	<u>\$ 559,633</u>

5. COMMITMENTS:

During the year ended September 30, 2015, FPA and FPF entered into various agreements with service providers for rent, email, and administrative services. Related expenses for the years ended September 30, 2016 and 2015 were \$293,175 and \$253,916, respectively. Future minimum payments for noncancellable agreements due during the year ended September 30, 2017 are \$130,455.

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
Family Policy Alliance and Family Policy Foundation
Colorado Springs, Colorado

We have audited the consolidated financial statements of Family Policy Alliance and Family Policy Foundation as of and for the years ended September 30, 2016 and 2015, and our report thereon dated DATE, 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
February 10, 2017

FAMILY POLICY ALLIANCE AND FAMILY POLICY FOUNDATION

Consolidating Statement of Financial Position

September 30, 2016

	Family Policy Alliance	Family Policy Foundation	Eliminations	Total
ASSETS:				
Cash and cash equivalents	\$ 1,628,763	\$ 671,635	\$ -	\$ 2,300,398
Accounts receivable	809,461	208	(788,637)	21,032
Prepaid expenses	101,750	11,740	(100,000)	13,490
Equipment and software—net	34,003	-	-	34,003
Total Assets	\$ 2,573,977	\$ 683,583	\$ (888,637)	\$ 2,368,923
LIABILITIES AND NET ASSETS:				
Liabilities:				
Accounts payable	\$ 133,725	\$ 893,497	\$ (888,637)	\$ 138,585
Accrued expenses	124,195	-	-	124,195
	257,920	893,497	(888,637)	262,780
Net assets:				
Unrestricted:				
Operating	1,782,054	(259,689)	-	1,522,365
Board designated— general reserve	500,000	-	-	500,000
Equity in equipment and software	34,003	-	-	34,003
	2,316,057	(259,689)	-	2,056,368
Temporarily restricted	-	49,775	-	49,775
	2,316,057	(209,914)	-	2,106,143
Total Liabilities and Net Assets	\$ 2,573,977	\$ 683,583	\$ (888,637)	\$ 2,368,923

FAMILY POLICY ALLIANCE AND FAMILY POLICY FOUNDATION

Consolidating Statement of Financial Position

September 30, 2015

	Family Policy Alliance	Family Policy Foundation	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	\$ 2,174,291	\$ 58,481	\$ (187,988)	\$ 2,044,784
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	\$ 2,174,291	\$ 58,481	\$ (187,988)	\$ 2,044,784

FAMILY POLICY ALLIANCE AND FAMILY POLICY FOUNDATION

Consolidating Statement of Activities

Year Ended September 30, 2016

	Family Policy Alliance	Family Policy Foundation	Eliminations	Total
SUPPORT AND REVENUE:				
Contributions	\$ 2,691,595	\$ 1,795,571	\$ -	\$ 4,487,166
Membership dues	20,322	-	-	20,322
Other income	63,194	1,371	-	64,565
Total Support and Revenue	2,775,111	1,796,942	-	4,572,053
EXPENSES:				
Program services:				
Citizenship	2,025,997	1,566,871	-	3,592,868
Supporting activities:				
General and administrative	190,263	170,665	-	360,928
Fund-raising	263,337	137,700	-	401,037
	453,600	308,365	-	761,965
Total Expenses	2,479,597	1,875,236	-	4,354,833
Change in Net Assets	295,514	(78,294)	-	217,220
Net Assets, Beginning of Year	2,020,543	(131,620)	-	1,888,923
Net Assets, End of Year	\$ 2,316,057	\$ (209,914)	\$ -	\$ 2,106,143

FAMILY POLICY ALLIANCE AND FAMILY POLICY FOUNDATION

Consolidating Statement of Activities

Year Ended September 30, 2015

	Family Policy Alliance	Family Policy Foundation	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
Total Support and Revenue	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
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