

STUDENTS FOR LIFE OF AMERICA, INC.

FINANCIAL STATEMENTS
With Independent Auditor's Report

December 31, 2022 and 2021

STUDENTS FOR LIFE OF AMERICA, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Students for Life of America, Inc.
Fredericksburg, Virginia

Opinion

We have audited the accompanying financial statements of Students for Life of America, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Students for Life of America, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Students for Life of America, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Students for Life of America, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Students for Life of America, Inc.
Fredericksburg, Virginia

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Students for Life of America, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Students for Life of America, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Capin Crouse LLP

Indianapolis, Indiana
May 24, 2023

STUDENTS FOR LIFE OF AMERICA, INC.

Statements of Financial Position

| | December 31, | |
|--|---------------------|----------------------|
| | 2022 | 2021 |
| ASSETS: | | |
| Cash and cash equivalents | \$ 5,397,763 | \$ 7,313,023 |
| Certificates of deposit | 1,451,150 | 525,508 |
| Due from related party (Note 8) | 106,490 | 33,037 |
| Prepaid expenses and other assets | 493,409 | 571,511 |
| Inventory | 73,224 | 47,893 |
| Funds held for specific beneficiaries | 24,067 | 30,988 |
| Right-of-use operating lease assets | 97,466 | - |
| Right-of-use finance lease assets | 170,828 | - |
| Property and equipment—net | 1,655,356 | 1,659,185 |
| Endowment investments | 482,622 | - |
| Total Assets | <u>\$ 9,952,375</u> | <u>\$ 10,181,145</u> |
| LIABILITIES AND NET ASSETS: | | |
| Liabilities: | | |
| Accounts payable | \$ 233,064 | \$ 305,413 |
| Accrued expenses | 150,266 | 122,680 |
| Deferred revenue | 255,670 | 280,069 |
| Funds held for specific beneficiaries | 24,067 | 30,988 |
| Right-of-use operating lease liabilities | 98,969 | - |
| Right-of-use finance lease liabilities | 171,928 | - |
| Mortgage note payable | 880,870 | 904,806 |
| Total liabilities | <u>1,814,834</u> | <u>1,643,956</u> |
| Net assets: | | |
| Without donor restrictions | 7,853,200 | 8,537,189 |
| With donor restrictions | 284,341 | - |
| Total net assets | <u>8,137,541</u> | <u>8,537,189</u> |
| Total Liabilities and Net Assets | <u>\$ 9,952,375</u> | <u>\$ 10,181,145</u> |

See notes to financial statements

STUDENTS FOR LIFE OF AMERICA, INC.

Statements of Activities

| | Year Ended December 31, | | | | | |
|---------------------------------------|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | 2022 | | | 2021 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE: | | | | | | |
| Contributions | \$ 12,825,385 | \$ 293,030 | \$ 13,118,415 | \$ 14,410,815 | \$ - | \$ 14,410,815 |
| Conference income | 345,114 | - | 345,114 | - | - | - |
| Students for Life (SFL) gear sales | 128,354 | - | 128,354 | 76,632 | - | 76,632 |
| Gain on extinguishment of debt | - | - | - | 539,697 | - | 539,697 |
| Investment return | 5,170 | (8,689) | (3,519) | - | - | - |
| Other income | 146,172 | - | 146,172 | 1,510 | - | 1,510 |
| Total Support and Revenue | 13,450,195 | 284,341 | 13,734,536 | 15,028,654 | - | 15,028,654 |
| RECLASSIFICATIONS | | | | | | |
| Net assets released from restrictions | - | - | - | - | - | - |
| EXPENSES: | | | | | | |
| Program services: | | | | | | |
| Outreach and awareness | 6,132,826 | - | 6,132,826 | 5,562,239 | - | 5,562,239 |
| Field resources | 3,091,460 | - | 3,091,460 | 2,485,941 | - | 2,485,941 |
| Campus tours | 2,650,219 | - | 2,650,219 | 2,040,299 | - | 2,040,299 |
| Total program services | 11,874,505 | - | 11,874,505 | 10,088,479 | - | 10,088,479 |
| Supporting activities: | | | | | | |
| Management and general | 1,056,928 | - | 1,056,928 | 742,761 | - | 742,761 |
| Fundraising | 1,202,751 | - | 1,202,751 | 1,334,246 | - | 1,334,246 |
| Total supporting activities | 2,259,679 | - | 2,259,679 | 2,077,007 | - | 2,077,007 |
| Total Expenses | 14,134,184 | - | 14,134,184 | 12,165,486 | - | 12,165,486 |
| Change in Net Assets | (683,989) | 284,341 | (399,648) | 2,863,168 | - | 2,863,168 |
| Net Assets, Beginning of Year | 8,537,189 | - | 8,537,189 | 5,674,021 | - | 5,674,021 |
| Net Assets, End of Year | \$ 7,853,200 | \$ 284,341 | \$ 8,137,541 | \$ 8,537,189 | \$ - | \$ 8,537,189 |

See notes to financial statements

STUDENTS FOR LIFE OF AMERICA, INC.

Statement of Functional Expenses

Year Ended December 31, 2022

| | Program Services | | | Supporting Activities | | Total |
|----------------------------|------------------------|-----------------|--------------|------------------------|------------------------|---------------|
| | Outreach and Awareness | Field Resources | Campus Tours | Total Program Services | Management and General | |
| Salaries | \$ 1,334,417 | \$ 1,334,417 | \$ 1,334,417 | \$ 4,003,251 | \$ 476,174 | \$ 4,620,941 |
| Outreach devices | 1,444,738 | 215,944 | 190,355 | 1,851,037 | - | 1,851,037 |
| Travel | 578,115 | 307,754 | 72,363 | 958,232 | 95 | 959,856 |
| Consulting | 293,690 | 286,176 | 225,235 | 805,101 | 31,981 | 944,855 |
| Postage and shipping | 530,657 | 13,110 | 20,379 | 564,146 | 25 | 810,590 |
| Payroll taxes and benefits | 218,756 | 218,756 | 218,756 | 656,268 | 78,061 | 757,528 |
| Printing | 497,168 | - | - | 497,168 | - | 749,631 |
| Supplies | 407,261 | 162,975 | 103,835 | 674,071 | 1,766 | 704,122 |
| Video production | 214,151 | 214,151 | 214,151 | 642,453 | - | 642,453 |
| Meals and food | 204,214 | 135,160 | 71,176 | 410,550 | 20 | 410,894 |
| Professional fees | 32,576 | 32,576 | 32,576 | 97,728 | 179,142 | 348,683 |
| Bank charges | - | - | - | - | 240,050 | 240,050 |
| Conferences and events | 71,899 | 54,581 | 54,581 | 181,061 | - | 181,061 |
| Fulfillment and printing | 102,940 | - | - | 102,940 | - | 151,382 |
| Information technology | 24,010 | 24,010 | 24,010 | 72,030 | 3,304 | 128,262 |
| Teleservices | 29,626 | - | - | 29,626 | 5,320 | 104,072 |
| Depreciation | 18,707 | 18,707 | 18,707 | 56,121 | 2,574 | 99,933 |
| Equipment rental | 16,923 | 16,923 | 16,923 | 50,769 | 2,329 | 90,404 |
| Telephone | 48,544 | 4,671 | 5,481 | 58,696 | - | 58,696 |
| Education and training | 14,785 | 19,060 | 14,785 | 48,630 | 5,276 | 55,474 |
| Insurance | 10,046 | 10,046 | 10,046 | 30,138 | 1,383 | 53,668 |
| Occupancy | 6,536 | 6,536 | 6,536 | 19,608 | 899 | 34,915 |
| Interest | 6,362 | 6,362 | 6,362 | 19,086 | 876 | 33,987 |
| Repair and maintenance | 6,199 | 6,199 | 6,199 | 18,597 | 853 | 33,116 |
| Caging | - | - | - | - | 26,419 | 26,419 |
| List rental | 17,160 | - | - | 17,160 | - | 25,629 |
| Licenses and permits | 2,698 | 2,698 | 2,698 | 8,094 | 371 | 14,413 |
| Advertising | 576 | 576 | 576 | 1,728 | - | 1,728 |
| Dues and subscriptions | 72 | 72 | 72 | 216 | 10 | 385 |
| Total Expenses | \$ 6,132,826 | \$ 3,091,460 | \$ 2,650,219 | \$ 11,874,505 | \$ 1,056,928 | \$ 14,134,184 |

See notes to financial statements

STUDENTS FOR LIFE OF AMERICA, INC.

Statement of Functional Expenses

Year Ended December 31, 2021

| | Program Services | | | Supporting Activities | | | Total |
|----------------------------|------------------------|-----------------|--------------|------------------------|------------------------|--------------|-----------------------------|
| | Outreach and Awareness | Field Resources | Campus Tours | Total Program Services | Management and General | Fundraising | Total Supporting Activities |
| Salaries | \$ 1,027,457 | \$ 1,027,457 | \$ 1,027,457 | \$ 3,082,371 | \$ 268,184 | \$ 132,350 | \$ 400,534 |
| Outreach devices | 562,726 | 331,246 | 162,367 | 1,056,339 | - | - | - |
| Travel | 370,840 | 277,783 | 25,872 | 674,495 | 27 | 250 | 277 |
| Consulting | 675,935 | 214,426 | 209,976 | 1,100,337 | 1,398 | 241,693 | 243,091 |
| Postage and shipping | 732,041 | 21,262 | 24,560 | 777,863 | 5 | 344,379 | 344,384 |
| Payroll taxes and benefits | 169,856 | 169,856 | 169,856 | 509,568 | 44,335 | 21,880 | 66,215 |
| Printing | 519,453 | - | - | 519,453 | - | 297,640 | 297,640 |
| Supplies | 278,488 | 105,957 | 94,995 | 479,440 | 1,842 | 17,168 | 19,010 |
| Video production | 70,147 | 70,147 | 70,147 | 210,441 | - | - | - |
| Meals and food | 73,179 | 16,955 | 4,217 | 94,351 | 3 | 32 | 35 |
| Professional fees | 86,553 | 86,553 | 86,553 | 259,659 | 136,784 | 58,170 | 194,954 |
| Bank charges | - | - | - | - | 234,932 | - | 234,932 |
| Conferences and events | 34,880 | 16,796 | 16,796 | 68,472 | - | - | 68,472 |
| Fulfillment and printing | 68,896 | - | - | 68,896 | - | 40,462 | 109,358 |
| Information technology | 32,914 | 32,914 | 32,914 | 98,742 | 2,372 | 22,121 | 24,493 |
| Teleservices | 65,362 | - | - | 65,362 | 8,126 | 26,697 | 34,823 |
| Depreciation | 17,314 | 17,314 | 17,314 | 51,942 | 1,248 | 11,636 | 12,884 |
| Equipment rental | 4,142 | 4,142 | 4,142 | 12,426 | 299 | 2,784 | 3,083 |
| Telephone | 52,788 | 3,269 | 3,269 | 59,326 | - | - | - |
| Education and training | 24,414 | 24,414 | 24,414 | 73,242 | 6,372 | 3,145 | 9,517 |
| Insurance | 9,872 | 9,872 | 9,872 | 29,616 | 712 | 6,635 | 7,347 |
| Occupancy | 24,838 | 24,838 | 24,838 | 74,514 | 1,790 | 16,693 | 18,483 |
| Interest | 10,676 | 10,676 | 10,676 | 32,028 | 769 | 7,175 | 7,944 |
| Repair and maintenance | 8,908 | 8,908 | 8,908 | 26,724 | 642 | 5,987 | 6,629 |
| Caging | - | - | - | - | 32,538 | - | 32,538 |
| List rental | 437,628 | - | - | 437,628 | - | 73,781 | 73,781 |
| Licenses and permits | 4,383 | 4,383 | 4,383 | 13,149 | 316 | 2,945 | 3,261 |
| Advertising | 197,622 | 5,846 | 5,846 | 209,314 | - | - | - |
| Dues and subscriptions | 927 | 927 | 927 | 2,781 | 67 | 623 | 690 |
| Total Expenses | \$ 5,562,239 | \$ 2,485,941 | \$ 2,040,299 | \$ 10,088,479 | \$ 742,761 | \$ 1,334,246 | \$ 2,077,007 |
| | | | | | | | \$ 12,165,486 |

See notes to financial statements

STUDENTS FOR LIFE OF AMERICA, INC.

Statements of Cash Flows

| | Year Ended December 31, | |
|--|-------------------------|------------------|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (399,648) | \$ 2,863,168 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation | 99,933 | 64,826 |
| Amortization of finance-right-of-use assets | 32,232 | - |
| Noncash effect of change in accounting principle | 1,503 | - |
| Gain on extinguishment of debt | - | (534,500) |
| Noncash donation of vehicles | - | (22,900) |
| Unrealized loss on investments | 30,356 | - |
| (Gain) loss on sale or disposal of equipment | (3,100) | 3,090 |
| Contributions restricted for endowment | (250,000) | - |
| Change in: | | |
| Due from related party SFL Action | (73,453) | 103,599 |
| Prepaid expenses and other assets | 78,102 | (515,252) |
| Inventory | (25,331) | 7,620 |
| Accounts payable | (72,349) | 219,362 |
| Accrued expenses | 27,586 | 22,133 |
| Deferred revenue | (24,399) | 280,069 |
| Net Cash Provided (Used) by Operating Activities | <u>(578,568)</u> | <u>2,491,215</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (96,104) | (82,824) |
| Proceeds on sale of property and equipment | 3,100 | (500) |
| Purchase of certificates of deposit | (1,451,150) | (400,477) |
| Redemption of certificates of deposit | 525,508 | - |
| Purchases of investments and reinvested interest | (512,978) | - |
| Net Cash Used by Investing Activities | <u>(1,531,624)</u> | <u>(483,801)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from paycheck protection program loan | - | 534,500 |
| Payments on mortgage note | (23,936) | (23,147) |
| Payments on finance lease | (31,132) | - |
| Contributions restricted for endowment | 250,000 | - |
| Net Cash Provided (Used) by Financing Activities | <u>194,932</u> | <u>(23,147)</u> |

(continued)

See notes to financial statements

STUDENTS FOR LIFE OF AMERICA, INC.

Statements of Cash Flows (continued)

| | Year Ended December 31, | |
|---|-------------------------|---------------------|
| | 2022 | 2021 |
| Change in Cash and Cash Equivalents | (1,915,260) | 1,984,267 |
| Cash and Cash Equivalents, Beginning of Year | 7,313,023 | 5,328,756 |
| Cash and Cash Equivalents, End of Year | <u>\$ 5,397,763</u> | <u>\$ 7,313,023</u> |
| SUPPLEMENTAL DISCLOSURES: | | |
| Cash paid for interest | <u>\$ 33,987</u> | <u>\$ 39,972</u> |
| Paycheck Protection Program loan forgiveness recognized as gain on extinguishment of debt | <u>\$ -</u> | <u>\$ 534,500</u> |
| Right-of-use assets obtained in exchange for operating lease liabilities | <u>\$ 160,648</u> | <u>\$ -</u> |
| Right-of-use assets obtained in exchange for finance lease liabilities | <u>\$ 203,060</u> | <u>\$ -</u> |
| Interest paid related to finance lease | <u>\$ 2,458</u> | <u>\$ -</u> |

See notes to financial statements

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

1. NATURE OF ORGANIZATION:

Students for Life of America, Inc. (SFL America) is a not-for-profit corporation organized in 1982 in Virginia. SFL America is a national organization created to educate students and the general public about the pro-life message and motivate them to take an active role in the pro-life movement.

SFL America is exempt from the payment of federal and state income taxes on exempt activities under Section 501(c)(3) of the Internal Revenue Code (IRC) and related sections of the State Code. However, Students for Life of America is subject to federal income tax on any unrelated business taxable income.

Contributions are received primarily as a result of direct mail and telemarketing solicitations to individuals and other entities throughout the country.

In March 2021, SFL America legally reorganized its corporate structure along with its affiliate, Students for Life Action, Inc. (SFL Action), a 501(c)(4) not-for-profit organization. SFL Action serves as the parent organization. Although board control exists, there is no economic interest between the two organizations. Therefore, consolidation is not required. Additionally, SFL Action's President also serves as the President of SFL America. See Note 11 for further description of related party transactions with SFL America.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The preparation of the 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

USES OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements in conformity with GAAP. 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 differ from those estimates.

CASH AND CASH EQUIVALENTS AND CREDIT RISK

For purposes of the financial statements SFL America considers cash and cash equivalents to be amounts in checking and savings accounts, money market accounts, cash on hand, and certificates of deposit with original maturities of three months or less. SFL America maintains cash balances that may exceed federally insured limits. Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. As of December 31, 2022 and 2021, SFL America had \$3,939,080 and \$5,778,311 in excess of federally insured limits.

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of various prepayments made for future events, advertising and insurance as well as security deposits for building space leases.

INVENTORY

Inventory consists of apparel and other merchandise and is stated at the lower of cost or net realizable value. Cost is determined on the first-in, first out method.

CERTIFICATES OF DEPOSIT

SFL America classifies all certificates of deposit (CD) with original maturities greater than three months separately from cash and cash equivalents. These CDs are considered other investments and held at cost plus accrued interest. These CDs earned interest ranging from 0.05% to 0.30% per annum and mature at various dates throughout 2023.

PROPERTY, EQUIPMENT, AND DEPRECIATION

SFL America capitalizes purchases of property and equipment greater than \$1,000. Property and equipment are recorded at cost if purchased and at fair value if donated and are depreciated using the straight-line method over the estimated service lives of the assets. Furniture and equipment are being depreciated between five and seven years. Building and building improvements are being depreciated over an estimated useful life of 39 years. Repairs are expensed as incurred. See Note 4.

ENDOWMENT INVESTMENTS

Endowment investments in equity and fixed income mutual funds held with Ave Maria Mutual Funds are reported at fair value. Investment income, gains and/or losses are reported as both revenue with and without donor restrictions in the statements of activities. Investment return with donor restrictions are associated with unappropriated earnings from the donor-restricted endowment fund. Investment return without donor restrictions are reported from the board-designated endowment. See Notes 5 and 8.

FAIR VALUE MEASUREMENTS

The *Fair Value Measurements and Disclosure* topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. SFL America uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, SFL America measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. SFL America's instruments were all measured at fair value on a recurring basis and recognized in the accompanying statements of financial position using Level 1 inputs.

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

Accounting principles generally accepted in the United States of America requires SFL America to report information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions are currently available for operations under the direction of the board and management. The board may designate net assets without restrictions for specific operational purposes from time to time. Beginning in 2022, SFL America set aside a portion of general funds as a board-designated endowment fund in order to meet the conditions to receive the matching component for the donor-restricted endowment fund below. See Note 8.

Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of SFL America and/or the passage of time. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose(s) for which the resource was restricted has been fulfilled, or both. SFL America did not have any net assets with donor restrictions at December 31, 2021. Beginning in 2022, net assets with donor restrictions also included amounts restricted by donors to establish an endowment fund to be held in perpetuity. There are no donor-imposed restrictions on the accumulated earnings of the endowment fund, but are time-restricted until appropriated for expenditure. See Note 8 for further information on net assets with donor restrictions.

SUPPORT, REVENUE, AND RECLASSIFICATIONS

SFL America reports gifts of cash and other assets as support and revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, donor restricted gifts received and spent in the same reporting period are recorded as net assets without donor restrictions.

SFL America gear sales are recorded at the time of sale. Investment return, interest income, and other income are recognized as revenue over the period earned. Registration, exhibit, and sponsorship fees are recognized as revenue when the conference or event takes place. As of December 31, 2022 and 2021, fees received in advance of the annual pro-life summit were \$255,670 and \$280,069, respectively, and are reported as deferred revenue on the statements of financial position.

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND RECLASSIFICATIONS, continued

In 2020, as a result of the uncertainty and impact of the COVID-19 pandemic, SFL America obtained a loan in the amount of \$534,500 pursuant to the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for up to 2.5 times the average monthly payroll expenses of the qualifying business. Under terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The unforgiven portion of the loan is payable over 2 years at an interest rate of 1%, with a deferral of payments for the first six months. SFL America asserts it has used the proceeds for the purposes consistent with the PPP. Effective April 12, 2021, SFL America received full forgiveness of the PPP loan and recognized it as a gain on extinguishment of debt on the statements of activities for the year ended December 31, 2021.

EXPENSES AND FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported as incurred. SFL America allocates costs between program and supporting services based on the function they directly benefit or on management's estimates of the proportion of these costs applicable to each function. Direct mail, email, and telemarketing activity is allocated based on a direct line count method of allocating joint costs. Salaries and related taxes and benefits are allocated based on estimated time spent by employees. Remaining expenses are either directly charged to program or supporting services or allocated using the average of percentage per the line count and estimated time spent by employees.

Expenses are classified according to the programs and supporting services for which they were incurred and reported on a functional basis in the accompanying statements of activities. The program and supporting services of SFL America are as follows:

Outreach and awareness - All expenses incurred to educate students and the general public about the pro-life message and to motivate them to take an active role in the pro-life movement. Additionally, all expenses incurred for conferences and events hosted by SFL America to educate students and the general public.

Field resources - All expenses incurred to start and improve pro-life groups on college and high school campuses across the nation.

Campus tours - Campus tours utilize a series of large banners for outreach and education on college and high school campuses. Regional coordinators work with student groups to gain permission to host these displays in public areas on campus with high visibility. Students are trained in the topic presented on the banners and how to lead fellow students through educational conversations and students are encouraged to sign up to join the group. Topics change each semester and can cover: When do Human Rights Begin, Abortion is Violence, Planned Parenthood Truth, and more.

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF JOINT COSTS

For the years ended December 31, 2022 and 2021, SFL America incurred joint costs of \$1,866,982 and \$3,320,132, respectively, for direct mail, email, and telemarketing informational materials and activities that included fundraising appeals. Of those costs, \$1,160,007 and \$2,318,515, respectively were allocated to program services (outreach and awareness) and \$706,975 and \$1,001,617, respectively, were allocated to fundraising.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842 of the FASB Accounting Standards Codification (ASC)). SFL America adopted the provisions of this new standard during the year ended December 31, 2022. The new standard requires organizations that lease assets with terms of more than 12 months to recognize on the statements of financial position the assets and liabilities for the right of use and obligations created by the leases. Lessor accounting remained largely unchanged under the new standard. SFL America has adopted this standard on the adoption date approach and recorded the impact of adoption as of January 1, 2022. Additional disclosures were added in Notes 2 and 6. SFL America elected the transition package relief provisions from ASU 2018-11, *Targeted Improvements* (Topic 842), for leases commenced before the effective date of the standard, which allows SFL America the option to not reassess existing or expiring contracts, lease classification or initial direct costs. Therefore, no restatement of prior year amounts were required. SFL America also elected the practical expedient to not separate lease and non-lease components and the accounting policy election to exclude short-term leases with lease terms of 12 months or less.

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects SFL America's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date.

| | December 31, | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| Financial assets: | | |
| Cash and cash equivalents | \$ 5,397,763 | \$ 7,313,023 |
| Certificates of deposit | 1,451,150 | 525,508 |
| Due from related party (SFL Action) | 106,490 | 33,037 |
| Endowment investments | 482,622 | - |
| | <u>7,438,025</u> | <u>7,871,568</u> |
| Less amounts unavailable due to: | | |
| Contractual or donor-imposed restrictions: | | |
| Donor-restricted endowment fund | (241,311) | - |
| Board-designated endowment fund | (241,311) | - |
| | <u>(482,622)</u> | <u>-</u> |
| Financial assets available for general expenditures within one year | <u>\$ 6,955,403</u> | <u>\$ 7,871,568</u> |

SFL America's financial assets available to meet cash needs for general expenditures above are not subject to donor or other contractual restrictions that would make them unavailable within one year of the statements of financial position date. SFL America is substantially supported by contributions without donor restrictions. SFL America also adheres to the policy whereby any donor-restricted gifts received and spent in the same year are reflected as net assets without donor restrictions. SFL America had no net assets with donor restrictions at December 31, 2021. As of December 31, 2022, SFL America had net assets with donor restrictions of \$284,341, of which \$43,030 is expected to be spent as part of general program expenses within one year.

SFL America anticipates collecting sufficient revenue to cover general expenditures. As part of its liquidity management, SFL America has established guidelines for making decisions related to managing short term cash reserves in a prudent manner. SFL America manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due.

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of the following:

| | December 31, | |
|--------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Furniture and equipment | \$ 263,586 | \$ 180,338 |
| Building and improvements | 1,609,875 | 1,609,875 |
| | 1,873,461 | 1,790,213 |
| Less: accumulated depreciation | (218,105) | (131,028) |
| | <u>\$ 1,655,356</u> | <u>\$ 1,659,185</u> |

Depreciation expense was \$93,933 and \$64,826 for the years ended December 31, 2022 and 2021, respectively.

5. ENDOWMENT INVESTMENTS:

Endowment investments consist of the following:

| | December 31, | |
|-------------------------|-------------------|-------------|
| | 2022 | 2021 |
| Ave Maria mutual funds: | | |
| Bond fund | \$ 124,032 | \$ - |
| Value fund | 107,147 | - |
| Rising dividend fund | 98,924 | - |
| Growth fund | 90,426 | - |
| Focused fund | 39,182 | - |
| World equity fund | 22,911 | - |
| | <u>\$ 482,622</u> | <u>\$ -</u> |

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

6. FINANCE AND OPERATING LEASES UNDER FASB ASC TOPIC 842:

SFL America leases warehouse space under a noncancelable operating lease expiring in 2024. The discount rate represents the risk-free rate using a period comparable with that of the individual lease term on the inception date of the lease. The leases require monthly payments of \$4,125 per month. The discount rate on the lease is 0.46%.

SFL America leases equipment under a noncancelable operating lease expiring in 2027. The discount rate represents the risk-free rate using a period comparable with that of the individual lease term on the inception date of the lease. The leases require monthly payments of \$150 per month. The discount rate on the lease is 1.15%.

SFL America leases office equipment under a noncancelable finance lease expiring in 2027. The discount rate represents the risk-free rate using a period comparable with that of the individual lease term on the inception date of the lease. The lease requires monthly payments of \$3,359 per month. The discount rate on the lease is 1.56%.

| | December 31, | |
|--|-------------------|-------------|
| | 2022 | 2021 |
| Assets: | | |
| Right-of-use operating lease assets | \$ 97,466 | \$ - |
| Right-of-use finance lease assets | 170,828 | - |
| | <u>\$ 268,294</u> | <u>\$ -</u> |
| Liabilities: | | |
| Right-of-use operating lease liabilities | \$ 98,969 | \$ - |
| Right-of-use finance lease liabilities | 171,928 | - |
| | <u>\$ 270,897</u> | <u>\$ -</u> |
| Lease costs: | | |
| Operating lease costs | \$ 51,150 | \$ - |
| Finance lease costs: | | |
| Amortization of right-of-use assets | 32,232 | - |
| Interest on lease liabilities | 2,458 | - |
| | <u>\$ 85,840</u> | <u>\$ -</u> |

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

6. FINANCE AND OPERATING LEASES UNDER FASB ASC TOPIC 842, continued:

| | December 31, | |
|---|--------------|-------|
| | 2022 | 2021 |
| Weighted-average discount rate: | | |
| Operating leases | 0.52% | 0.00% |
| Finance lease | 1.56% | 0.00% |
| Weighted-average remaining lease term (in years): | | |
| Operating leases | 2.03 | - |
| Finance lease | 4.27 | - |

Future minimum lease payments required under operating leases that have an initial or remaining non-cancellable lease term in excess of one year are as follows:

| <u>Year Ending December 31,</u> | <u>Finance Amounts</u> | <u>Operating Amounts</u> |
|---------------------------------|----------------------------|------------------------------|
| 2023 | \$ 40,309 | \$ 66,296 |
| 2024 | 40,309 | 28,057 |
| 2025 | 40,309 | 1,800 |
| 2026 | 40,309 | 1,800 |
| 2027 | 16,795 | 1,016 |
| Less: imputed interest | (6,103) | - |
| | <u>\$ 171,928</u> | <u>\$ 98,969</u> |

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

7. MORTGAGE NOTE PAYABLE:

Mortgage note payable consists of the following:

| | December 31, | |
|---|--------------|------------|
| | 2022 | 2021 |
| In 2020, SFL America purchased an office condo and entered into a mortgage note payable. The mortgage note is secured by the office condo. The note carries a fixed interest rate of 3.75% and is payable in monthly payments of \$4,827, including principal and interest, through September 2030, at which time the remaining principal balance is due. | \$ 880,870 | \$ 904,806 |

Future maturities are as follows:

| <u>Year Ending December 31,</u> | |
|---------------------------------|-------------------|
| 2023 | \$ 25,363 |
| 2024 | 26,331 |
| 2025 | 27,335 |
| 2026 | 28,378 |
| 2027 | 29,461 |
| Thereafter | 744,002 |
| | <u>\$ 880,870</u> |

SFL America asserts compliance with all related loan covenants as of December 31, 2022 and 2021.

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

8. NET ASSETS:

Net assets consist of the following:

| | December 31, | |
|---|--------------|--------------|
| | 2022 | 2021 |
| Net assets without donor restrictions: | | |
| Undesignated | \$ 7,611,889 | \$ 8,537,189 |
| Board-designated endowment fund | 241,311 | - |
| Total net assets without donor restrictions | 7,853,200 | 8,537,189 |
| Net assets with donor restrictions: | | |
| Regional coordinators | 26,530 | - |
| Travel | 6,500 | - |
| Time restriction for 2023 programming | 10,000 | - |
| Accumulated earnings (losses) on endowment | (8,689) | - |
| Endowment fund—held in perpetuity | 250,000 | - |
| | 284,341 | - |
| Total net assets | \$ 8,137,541 | \$ 8,537,189 |

ENDOWMENT

The endowment fund consists of one individual donor restricted perpetual fund established in 2022 through a foundation match for the purpose of building income for the future to broadly fund the mission of SFL America as determined and approved by the Board of Directors. If SFL America deposits \$250,000 per year through 2025, a foundation is willing to match \$250,000 toward the perpetual endowment.

SFL America has placed both the board-designated funds and the donor-restricted endowment contributions into a portfolio with Ave Maria Mutual Funds as required by the donor organization. While the funds are currently invested, SFL America has not yet formalized a spending policy or other strategies for achieving the endowment objectives. The Board of Directors will meet to adopt such policies outlining return objectives and risk parameters, strategies employed for achieving objectives, and a spending policy.

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

8. NET ASSETS, continued:

ENDOWMENT, continued

Endowment net asset composition by type of fund as of December 31, 2022:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------|-------------------------------|----------------------------|-------------------|
| Donor-restricted endowment fund | \$ - | \$ 241,311 | \$ 241,311 |
| Board-designated endowment fund | 241,311 | - | 241,311 |
| Total endowment fund | <u>\$ 241,311</u> | <u>\$ 241,311</u> | <u>\$ 482,622</u> |

Changes in endowment-related net assets for the year ended December 31, 2022, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|-------------------|
| Endowment net assets, December 31, 2021 | \$ - | \$ - | \$ - |
| Contributions | - | 250,000 | 250,000 |
| Net investment return: | | | |
| Interest and dividends | 6,489 | 6,489 | 12,978 |
| Net unrealized losses | (15,178) | (15,178) | (30,356) |
| Net investment return | <u>(8,689)</u> | <u>(8,689)</u> | <u>(17,378)</u> |
| Transfers | 250,000 | - | 250,000 |
| Appropriated for expenditure | <u>-</u> | <u>-</u> | <u>-</u> |
| Endowment net assets, December 31, 2022 | <u>\$ 241,311</u> | <u>\$ 241,311</u> | <u>\$ 482,622</u> |

From time to time, the fair value of assets associated with individual donor restricted endowment fund may fall below the level that is required to retain as a fund of perpetual duration. Deficiencies result from unfavorable market fluctuations that occurred after the investment of contributions restricted in perpetuity was deemed prudent by the Board of Directors. The amount by which endowment funds were underwater was calculated as follows as of December 31, 2022:

| | |
|--------------------------------|-------------------|
| Aggregate original gift amount | \$ 250,000 |
| Aggregate fair value | <u>241,311</u> |
| Aggregate deficiency | <u>\$ (8,689)</u> |

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

9. EMPLOYEE BENEFITS:

SFL America has established a 401(k) plan for employees. The formally adopted plan is supported by a written plan agreement. SFL America matches all employee contributions up to 3 percent of an employee's gross salary. Employer contributions were approximately \$68,000 and \$50,000 for the years ended December 31, 2022 and 2021, respectively.

SFL America sponsors a comprehensive benefits program for all eligible employees. All employees working full-time are eligible for health, vision, dental, life, and disability coverage. Health insurance coverage extends to employee dependents and requires premium participation by the employee. A more complete description of the benefit provisions can be found in the respective plan agreements. Total other employee benefits for the years ended December 31, 2022 and 2021, were approximately \$337,000 and \$257,000, respectively.

10. COMMITMENTS AND CONTINGENCIES:

OPERATING LEASES UNDER FASB ASC TOPIC 940

Prior to the adoption of both ASU 2016-02 and ASU 2018-11 under Topic 842 of the FASB ASC as described in Note 2, SFL America was applying Topic 840 in relation to operating leases. SFL America leased building space and office equipment through noncancellable operating leases. These leases expired in 2022. Lease payments for the years ended December 31, 2022 and 2021, were approximately \$13,000 and \$85,000, respectively.

HOTEL CONTRACT COMMITMENTS

SFL America has agreements with hotels to host future conventions, leadership collective meetings and events in 2023 through 2026. In the event that SFL America cancels, it can be held liable for liquidated damages incurred by the hotel as defined and calculated in accordance with the terms of the agreements. Cancellation penalties range from \$37,412 to \$149,824 per each annual event, incrementally increasing closer to the time of each event, plus forfeiture of any non-refundable advance deposits paid.

11. RELATED PARTY TRANSACTIONS:

Under an allocation agreement and borrowed employee agreement, SFL America and SFL Action define their shared personnel, services, facilities, and a cost-sharing relationship. Under these agreements, each party shall reimburse the other for various direct and indirect expenses, including any borrowed employees. During the years ended December 31, 2022 and 2021, SFL America received reimbursements from SFL Action of \$499,995 and \$442,955, respectively, for various back-office support provided by SFL America. SFL America also had a receivable due from SFL Action of \$106,490 and \$33,037 related to these services as of December 31, 2022 and 2021, respectively. Additionally, SFL America charged SFL Action \$255,698 and \$91,172, respectively, for list rental.

SFL America received approximately \$56,000 and \$100,000 in contributions from related parties, including board members, during the years ended December 31, 2022 and 2021, respectively.

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2022 and 2021

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 24, 2023, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.