

STUDENTS FOR LIFE OF AMERICA, INC.

Financial Statements
With Independent Auditors' Report

December 31, 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 statement of financial position as of December 31, 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, 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 audit 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
June 17, 2022

STUDENTS FOR LIFE OF AMERICA, INC.

Statement of Financial Position

December 31, 2021

ASSETS:

Cash and cash equivalents	\$ 7,313,023
Certificates of deposit	525,508
Due from related party (Note 8)	33,037
Prepaid expenses and other assets	571,511
Inventory	47,893
Funds held for specific beneficiaries	30,988
Property and equipment—net	<u>1,659,185</u>

Total Assets \$ 10,181,145

LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable	\$ 305,413
Accrued expenses	122,680
Deferred revenue	280,069
Funds held for specific beneficiaries	30,988
Mortgage note payable	<u>904,806</u>
Total liabilities	<u>1,643,956</u>

Net assets:

Without donor restrictions	<u>8,537,189</u>
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Total Liabilities and Net Assets \$ 10,181,145

See notes to financial statements

STUDENTS FOR LIFE OF AMERICA, INC.

Statement of Activities

Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUE:	
Contributions	\$ 14,410,815
Students for Life (SFL) gear sales	76,632
Gain on extinguishment of debt	539,697
Interest and other income	<u>1,510</u>
Total Support and Revenue	<u>15,028,654</u>
EXPENSES:	
Program services:	
Outreach and awareness	5,562,239
Field resources	2,485,941
Campus tours	<u>2,040,299</u>
Total program services	<u>10,088,479</u>
Supporting activities:	
Management and general	742,761
Fundraising	<u>1,334,246</u>
Total supporting activities	<u>2,077,007</u>
Total Expenses	<u>12,165,486</u>
Change in Net Assets	2,863,168
Net Assets, Beginning of Year	<u>5,674,021</u>
Net Assets, End of Year	<u><u>\$ 8,537,189</u></u>

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	\$ 3,482,905
Consulting	675,935	214,426	209,976	1,100,337	1,398	241,693	243,091	1,343,428
Postage and shipping	732,041	21,262	24,560	777,863	5	344,379	344,384	1,122,247
Outreach devices	562,726	331,246	162,367	1,056,339	-	-	-	1,056,339
Printing	519,453	-	-	519,453	-	297,640	297,640	817,093
Travel	370,840	277,783	25,872	674,495	27	250	277	674,772
Payroll taxes and benefits	169,856	169,856	169,856	509,568	44,335	21,880	66,215	575,783
List rental	437,628	-	-	437,628	-	73,781	73,781	511,409
Supplies	278,488	105,957	94,995	479,440	1,842	17,168	19,010	498,450
Professional fees	86,553	86,553	86,553	259,659	136,784	58,170	194,954	454,613
Bank charges	-	-	-	-	234,932	-	234,932	234,932
Video production	70,147	70,147	70,147	210,441	-	-	-	210,441
Advertising	197,622	5,846	5,846	209,314	-	-	-	209,314
Information technology	32,914	32,914	32,914	98,742	2,372	22,121	24,493	123,235
Fulfillment and printing	68,896	-	-	68,896	-	40,462	40,462	109,358
Teleservices	65,362	-	-	65,362	8,126	26,697	34,823	100,185
Meals and food	73,179	16,955	4,217	94,351	3	32	35	94,386
Occupancy	24,838	24,838	24,838	74,514	1,790	16,693	18,483	92,997
Education and training	24,414	24,414	24,414	73,242	6,372	3,145	9,517	82,759
Conferences and events	34,880	16,796	16,796	68,472	-	-	-	68,472
Depreciation	17,314	17,314	17,314	51,942	1,248	11,636	12,884	64,826
Telephone	52,788	3,269	3,269	59,326	-	-	-	59,326
Interest	10,676	10,676	10,676	32,028	769	7,175	7,944	39,972
Insurance	9,872	9,872	9,872	29,616	712	6,635	7,347	36,963
Repair and maintenance	8,908	8,908	8,908	26,724	642	5,987	6,629	33,353
Caging	-	-	-	-	32,538	-	32,538	32,538
Licenses and permits	4,383	4,383	4,383	13,149	316	2,945	3,261	16,410
Equipment rental	4,142	4,142	4,142	12,426	299	2,784	3,083	15,509
Dues and subscriptions	927	927	927	2,781	67	623	690	3,471
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.

Statement of Cash Flows

Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 2,863,168
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	64,826
Gain on extinguishment of debt	(534,500)
Noncash donation of vehicles	(22,900)
Loss on disposal of equipment	3,090
Change in:	
Due from related party (SFL Action)	103,599
Prepaid expenses and other assets	(515,252)
Inventory	7,620
Accounts payable	219,362
Accrued expenses	22,133
Deferred revenue	280,069
Net Cash Provided by Operating Activities	<u>2,491,215</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of building and building improvements	(82,824)
Proceeds on sale of donated vehicle	(500)
Purchase of certificates of deposit	(400,477)
Net Cash Used by Investing Activities	<u>(483,801)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on mortgage note	(23,147)
Net Cash Used by Financing Activities	<u>(23,147)</u>

Change in Cash and Cash Equivalents	1,984,267
Cash and Cash Equivalents, Beginning of Year	<u>5,328,756</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,313,023</u>

SUPPLEMENTAL DISCLOSURES:

Cash paid for interest	<u>\$ 39,972</u>
Paycheck Protection Program loan forgiveness recognized as gain on extinguishment of debt (Note 2)	<u>\$ 534,500</u>

See notes to financial statements

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 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 8 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. However, SFL America has not experienced any losses on these accounts and does not believe it is exposed to any significant risk. As of December 31, 2021, SFL America had \$5,778,311 in excess of federally insured limits.

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of various prepayments made in 2021 for 2022 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 0.2% to .05% per annum and mature at various dates throughout 2022. While at times CD balances may exceed federally insured (FDIC) limits, SFL America has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on these accounts. As of December 31, 2021, SFL America had \$0- of CD balances in excess of federally insured limits.

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.

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. There were no board designated net assets at December 31, 2021.

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.

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 statement 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. Interest and other income is 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, 2021, fees received in advance of the 2022 pro-life summit were \$280,069 and are reported as deferred revenue on the statement of financial position.

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 statement 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, are tracked 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, 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

ALLOCATION OF JOINT COSTS

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

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

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

Financial assets:

Cash and cash equivalents	\$ 7,313,023
Certificates of deposit (all maturing in 2022)	525,508
Due from related party (SFL Action)	<u>33,037</u>

Financial assets available for general expenditures within one year	<u><u>\$ 7,871,568</u></u>
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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 statement 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 anticipates collecting sufficient revenue to cover general expenditures and typically generates positive cash flows from operations, as evidenced by the statement of cash flows. 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, 2021

4. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of the following at December 31, 2021:

Furniture and equipment	\$ 180,338
Building and improvements	1,609,875
	<u>1,790,213</u>
Less: accumulated depreciation	<u>(131,028)</u>
	<u>\$ 1,659,185</u>

Depreciation expense was \$64,826 for the year ended December 31, 2021.

5. MORTGAGE NOTE PAYABLE:

In 2020, SFL America purchased an office condo and entered into a mortgage note payable. The mortgage note payable is secured by the office condo. The mortgage 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 principal balance is due.

\$ 904,806

Future maturities are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 24,431
2023	25,363
2024	26,331
2025	27,335
Thereafter	<u>801,346</u>
	<u>\$ 904,806</u>

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

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2021

6. 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 \$50,000 for the year ended December 31, 2021.

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 year ended December 31, 2021, were approximately \$245,000.

7. COMMITMENTS AND CONTINGENCIES:

OPERATING LEASES

SFL America leases building space and office equipment through noncancellable operating leases. These leases expire between 2022 and 2024. Lease payments for the year ended December 31, 2021, were approximately \$85,000. Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 69,353
2023	63,559
2024	<u>50,561</u>
	<u>\$ 183,473</u>

LEGAL MATTERS

SFL America is subject to claims, legal proceedings, and investigations of matters that arise in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance or by accruals and, if not so covered, are without merit or are of such kind, or involve such amounts as would not have a significant effect on the financial position or results of operations of SFL America if disposed of unfavorably.

HOTEL CONTRACT COMMITMENTS

SFL America has agreements with hotels to host future conventions, leadership collective meetings and events in 2022 and 2023. 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 \$37,365 to \$249,730 per each annual event, incrementally increasing closer to the time of each event.

STUDENTS FOR LIFE OF AMERICA, INC.

Notes to Financial Statements

December 31, 2021

8. 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 year ended December 31, 2021, SFL America received reimbursements from SFL Action of \$442,955 for various back-office support provided by SFL America. SFL America also had a receivable due from SFL Action of \$33,037 related to these services as of December 31, 2021. Additionally, SFL America received reimbursement of \$91,172 from SFL Action for list rental.

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

9. RISKS AND UNCERTAINTIES:

In January 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and in March 2020, declared COVID-19 a pandemic. Economic uncertainties have arisen due to the spread of COVID-19. Although SFL America had to postpone all in-person events and conferences in 2020, the organization was able to resume in-person programming and events in 2021. While the pandemic continues, there is still considerable uncertainty around the duration or long-term impact. The extent to which the COVID-19 outbreak will financially impact SFL America's operations or financial results cannot be reasonably estimated at this time.

In 2020, as a result of the uncertainty and impact of the 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 believes 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 statement of activities.

10. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 17, 2022, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.