

STUDENTS FOR LIFE ACTION, INC.

Financial Statements
With Independent Auditors' Report

December 31, 2021

STUDENTS FOR LIFE ACTION, INC.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Students for Life Action, 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 Action, 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 Action, 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 Action, 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 Action, 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 Action, 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 Action, 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 ACTION, INC.

Statement of Financial Position

December 31, 2021

ASSETS:

Cash and cash equivalents	\$ 1,382,393
Prepaid expenses	68,359
Property and equipment—net	<u>1,169</u>

Total Assets	<u><u>\$ 1,451,921</u></u>
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LIABILITIES AND NET ASSETS:

Liabilities:

Accounts payable	\$ 123,280
Due to related party (Note 5)	33,037
Accrued expenses	<u>4,322</u>
Total liabilities	<u>160,639</u>

Net assets:

Without donor restrictions	<u>1,291,282</u>
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Total Liabilities and Net Assets	<u><u>\$ 1,451,921</u></u>
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See notes to financial statements

STUDENTS FOR LIFE ACTION, INC.

Statement of Activities

Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUE:	
Contributions	\$ 3,948,083
Total Support and Revenue	<u>3,948,083</u>
EXPENSES:	
Program services:	
Outreach and awareness	2,171,699
Field resources	266,263
GOTV	261,052
Total program services	<u>2,699,014</u>
Supporting activities:	
Management and general	324,863
Fundraising	485,821
Total supporting activities	<u>810,684</u>
Total Expenses	<u>3,509,698</u>
Change in Net Assets	438,385
Net Assets, Beginning of Year	<u>852,897</u>
Net Assets, End of Year	<u>\$ 1,291,282</u>

See notes to financial statements

STUDENTS FOR LIFE ACTION, INC.

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services				Supporting Activities			Total
	Outreach and Awareness	Field Resources	GOTV	Total Program Services	Management and General	Fundraising	Total Supporting Activities	
Postage and shipping	\$ 663,072	\$ 331	\$ 471	663,874	\$ -	\$ 188,874	\$ 188,874	\$ 852,748
Consulting	350,886	100,990	52,035	503,911	11,427	84,306	95,733	599,644
List rental	354,752	-	-	354,752	-	75,703	75,703	430,455
Payroll, taxes, and benefits	120,661	120,661	66,806	308,128	65,570	26,757	92,327	400,455
Printing	299,368	-	-	299,368	-	88,175	88,175	387,543
Outreach devices	300,699	-	21,236	321,935	-	-	-	321,935
Travel	19,813	4,062	74,793	98,668	324	1,970	2,294	100,962
Professional fees	-	-	-	-	97,026	-	97,026	97,026
Bank charges	-	-	-	-	87,636	-	87,636	87,636
Caging	-	-	-	-	59,709	-	59,709	59,709
Information technology	11,338	11,338	17,367	40,043	904	5,500	6,404	46,447
Insurance	16,910	16,910	1,573	35,393	1,348	8,202	9,550	44,943
Supplies	24,639	5,825	5,703	36,167	220	3,713	3,933	40,100
Meals and food	1,438	163	20,251	21,852	-	-	-	21,852
Licenses and permits	4,031	4,031	375	8,437	321	1,955	2,276	10,713
Occupancy	1,094	1,094	102	2,290	87	531	618	2,908
Education and training	827	827	336	1,990	288	120	408	2,398
Telephone	2,140	-	-	2,140	-	-	-	2,140
Depreciation	31	31	4	66	3	15	18	84
	<u>\$ 2,171,699</u>	<u>\$ 266,263</u>	<u>\$ 261,052</u>	<u>\$ 2,699,014</u>	<u>\$ 324,863</u>	<u>\$ 485,821</u>	<u>\$ 810,684</u>	<u>\$ 3,509,698</u>

See notes to financial statements

STUDENTS FOR LIFE ACTION, INC.

Statement of Cash Flows

Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 438,385
Depreciation	84
Change in:	
Prepaid expenses	(27,338)
Due to related party	(103,599)
Accounts payable	39,775
Accrued expenses	1,246
Net Cash Provided by Operating Activities	<u>348,553</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	<u>(1,253)</u>
Net Cash Used by Investing Activities	<u>(1,253)</u>

Change in Cash and Cash Equivalents 347,300

Cash and Cash Equivalents, Beginning of Year 1,035,093

Cash and Cash Equivalents, End of Year \$ 1,382,393

See notes to financial statements

STUDENTS FOR LIFE ACTION, INC.

Notes to Financial Statements

December 31, 2021

1. NATURE OF ORGANIZATION:

Students for Life Action, Inc. (SFL Action) is a not-for-profit corporation organized in 2019 in Virginia. The Organization is a national organization created to educate students and the general public about the pro-life message and train and mobilize this generation of pro-life leaders to impact public policy and influence key elections in order to restrict and abolish abortion state by state.

SFL Action is exempt from the payment of federal and state income taxes on exempt activities under Section 501(c)(4) of the Internal Revenue Code (IRC) and related sections of the State Code. However, SFL Action 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 Action legally reorganized its corporate structure along with its affiliate, Students for Life of America, Inc. (SFL America), a 501(c)(3) not-for-profit organization created to educate students and the general public about the pro-life message and movement. 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 5 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.

STUDENTS FOR LIFE ACTION, INC.

Notes to Financial Statements

December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS AND CREDIT RISK

For purposes of the financial statements SFL Action considers cash and cash equivalents to be amounts in checking and savings accounts, money market accounts, and cash on hand. SFL Action 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 Action has not experienced any losses on these accounts and does not believe it is exposed to any significant risk. As of December 31, 2021, the Organization had \$1,085,880 in excess of federally insured limits.

PROPERTY, EQUIPMENT, AND DEPRECIATION

SFL Action 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, between five and seven years. Equipment is being depreciated over an estimated useful life of 5 years. Repairs are expensed as incurred. See Note 4.

NET ASSETS

Accounting principles generally accepted in the United States of America require SFL Action 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 Action 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 Action did not have any net assets with donor restrictions at December 31, 2021.

SUPPORT, REVENUE, AND RECLASSIFICATIONS

SFL Action 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. Donor restricted gifts received and spent in the same reporting period are recorded as net assets without donor restrictions.

STUDENTS FOR LIFE ACTION, INC.

Notes to Financial Statements

December 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

EXPENSES AND FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported as incurred. SFL Action 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 Action 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 Action 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.

GOTV - Is a program predominately focused on recruiting large numbers of students to be involved in phone banking, personal text messaging, and door-to-door canvassing efforts to expose politicians pushing the abortion lobby's radical agenda. Additionally, through a cutting-edge program unique to the pro-life and conservative movement, voters in the key targeted demographic age 18-35, are targeted to become involved in the process through a proven issue education advocacy, literacy, and motivational campaign. This grassroots and data-driven mobilization plan resulted in a nationwide effort to increase the number of pro-life voters in states across the country.

ALLOCATION OF JOINT COSTS

For the year ended December 31, 2021, SFL Action incurred joint costs of \$2,021,496 for direct mail, email, and telemarketing informational materials and activities that included fundraising appeals. Of those costs, \$1,582,047 was allocated to program services (outreach and awareness) and \$439,449 was allocated to fundraising.

STUDENTS FOR LIFE ACTION, INC.

Notes to Financial Statements

December 31, 2021

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

SFL Action's financial assets available to meet cash needs for general expenditures consist of cash and cash equivalents of \$1,382,393, which is not subject to donor or other contractual restrictions that would make it unavailable within one year of the statement of financial position date. SFL Action is substantially supported by contributions without donor restrictions. SFL Action 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 Action has established guidelines for making decisions related to managing short term cash reserves in a prudent manner. SFL Action manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due.

4. PROPERTY AND EQUIPMENT—NET:

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

Equipment	\$ 1,253
Less: accumulated depreciation	<u>(84)</u>
	<u>\$ 1,169</u>

Depreciation expense was \$84 for the year ended December 31, 2021.

5. RELATED PARTY TRANSACTIONS:

Under an allocation agreement and borrowed employee agreement, SFL Action and SFL America 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 Action incurred expenses of \$442,955 for various back-office support provided by SFL America. SFL Action also has a payable due to SFL America of \$33,037 related to these services as of December 31, 2021. Additionally, SFL Action incurred expenses of \$91,172 for list rental from SFL America.

STUDENTS FOR LIFE ACTION, INC.

Notes to Financial Statements

December 31, 2021

6. 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. As a result, SFL Action has had to postpone all in-person events and conferences. Management believes such disruptions are temporary in nature. 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 Action's operations or financial results cannot be reasonably estimated at this time.

7. 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.