

STUDENTS FOR LIFE ACTION, INC.

Financial Statements
With Independent Auditors' Report

December 31, 2022 and 2021

STUDENTS FOR LIFE ACTION, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses - 2022	5
Statement of Functional Expenses - 2021	6
Statements of Cash Flows	7
Notes to Financial Statements	8

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 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 Action, 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 Action, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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
May 24, 2023

STUDENTS FOR LIFE ACTION, INC.

Statements of Financial Position

	December 31,	
	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 1,002,392	\$ 1,382,393
Prepaid expenses	79,700	68,359
Property and equipment—net	39,713	1,169
Total Assets	<u>\$ 1,121,805</u>	<u>\$ 1,451,921</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 182,861	\$ 123,280
Due to related party (Note 6)	106,490	33,037
Accrued expenses	17,977	4,322
Total liabilities	<u>307,328</u>	<u>160,639</u>
Net assets:		
Without donor restrictions	<u>814,477</u>	<u>1,291,282</u>
Total Liabilities and Net Assets	<u>\$ 1,121,805</u>	<u>\$ 1,451,921</u>

See notes to financial statements

STUDENTS FOR LIFE ACTION, INC.

Statements of Activities

	Year Ended December 31,	
	2022	2021
	Without Donor Restrictions	Without Donor Restrictions
SUPPORT AND REVENUE:		
Contributions	\$ 4,526,195	\$ 3,948,083
Total Support and Revenue	4,526,195	3,948,083
EXPENSES:		
Program services:		
Outreach and awareness	2,225,220	2,171,699
Field resources	505,473	266,263
GOTV	995,270	261,052
Total program services	3,725,963	2,699,014
Supporting activities:		
Management and general	512,361	324,863
Fundraising	764,676	485,821
Total supporting activities	1,277,037	810,684
Total Expenses	5,003,000	3,509,698
Change in Net Assets	(476,805)	438,385
Net Assets, Beginning of Year	1,291,282	852,897
Net Assets, End of Year	\$ 814,477	\$ 1,291,282

See notes to financial statements

STUDENTS FOR LIFE ACTION, INC.

Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services				Supporting Activities			
	Outreach and Awareness	Field Resources	GOTV	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total
Payroll, taxes, and benefits	\$ 241,815	\$ 241,815	\$ 186,657	\$ 670,287	\$ 175,076	\$ 112,515	\$ 287,591	\$ 957,878
Outreach devices	427,215	2,224	461,196	890,635	-	8,793	8,793	899,428
Postage and shipping	438,251	612	26,442	465,305	-	139,860	139,860	605,165
List rental	343,438	-	-	343,438	-	249,809	249,809	593,247
Consulting	278,661	129,281	50,123	458,065	50,661	65,252	115,913	573,978
Printing	363,142	-	-	363,142	-	131,300	131,300	494,442
Travel	41,737	24,518	129,082	195,337	-	-	-	195,337
Professional fees	-	-	-	-	133,574	-	133,574	133,574
Information technology	21,073	12,735	84,518	118,326	1,273	13,902	15,175	133,501
Bank charges	-	-	-	-	104,131	-	104,131	104,131
Supplies	24,549	12,226	44,971	81,746	215	11,534	11,749	93,495
Meals and food	12,708	47,933	8,136	68,777	-	-	-	68,777
Insurance	17,165	17,165	2,432	36,762	1,717	18,739	20,456	57,218
Caging	-	-	-	-	44,504	-	44,504	44,504
Licenses and permits	6,220	6,220	881	13,321	622	6,790	7,412	20,733
Occupancy	4,161	4,161	590	8,912	416	4,543	4,959	13,871
Conferences and events	-	5,066	-	5,066	-	-	-	5,066
Depreciation	1,464	1,464	207	3,135	147	1,598	1,745	4,880
Telephone	3,568	-	-	3,568	-	-	-	3,568
Education and training	53	53	35	141	25	41	66	207
	<u>\$ 2,225,220</u>	<u>\$ 505,473</u>	<u>\$ 995,270</u>	<u>\$ 3,725,963</u>	<u>\$ 512,361</u>	<u>\$ 764,676</u>	<u>\$ 1,277,037</u>	<u>\$ 5,003,000</u>

See notes to financial statements

STUDENTS FOR LIFE ACTION, INC.

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services				Supporting Activities			
	Outreach and Awareness	Field Resources	GOTV	Total Program Services	Management and General	Fundraising	Total Supporting Activities	Total
Payroll, taxes, and benefits	\$ 120,661	\$ 120,661	\$ 66,806	\$ 308,128	\$ 65,570	\$ 26,757	\$ 92,327	\$ 400,455
Outreach devices	300,699	-	21,236	321,935	-	-	-	321,935
Postage and shipping	663,072	331	471	663,874	-	188,874	188,874	852,748
List rental	354,752	-	-	354,752	-	75,703	75,703	430,455
Consulting	350,886	100,990	52,035	503,911	11,427	84,306	95,733	599,644
Printing	299,368	-	-	299,368	-	88,175	88,175	387,543
Travel	19,813	4,062	74,793	98,668	324	1,970	2,294	100,962
Professional fees	-	-	-	-	97,026	-	97,026	97,026
Information technology	11,338	11,338	17,367	40,043	904	5,500	6,404	46,447
Bank charges	-	-	-	-	87,636	-	87,636	87,636
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
Insurance	16,910	16,910	1,573	35,393	1,348	8,202	9,550	44,943
Caging	-	-	-	-	59,709	-	59,709	59,709
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
Depreciation	31	31	4	66	3	15	18	84
Telephone	2,140	-	-	2,140	-	-	-	2,140
Education and training	827	827	336	1,990	288	120	408	2,398
	<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.

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (476,805)	\$ 438,385
Depreciation	4,880	84
Change in:		
Prepaid expenses	(11,341)	(27,338)
Due to related party	73,453	(103,599)
Accounts payable	59,581	39,775
Accrued expenses	13,655	1,246
Net Cash Provided (Used) by Operating Activities	<u>(336,577)</u>	<u>348,553</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(43,424)</u>	<u>(1,253)</u>
Net Cash Used by Investing Activities	<u>(43,424)</u>	<u>(1,253)</u>
Change in Cash and Cash Equivalents	(380,001)	347,300
Cash and Cash Equivalents, Beginning of Year	<u>1,382,393</u>	<u>1,035,093</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,002,392</u>	<u>\$ 1,382,393</u>

See notes to financial statements

STUDENTS FOR LIFE ACTION, INC.

Notes to Financial Statements

December 31, 2022 and 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 6 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, 2022 and 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. As of December 31, 2022 and 2021, the Organization had \$694,723 and \$1,085,880, respectively, 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, 2022 and 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, 2022 and 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 statements 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, 2022 and 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 statements 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 years ended December 31, 2022 and 2021, SFL Action incurred joint costs of \$1,894,474 and \$2,021,496, respectively, for direct mail, email, and telemarketing informational materials and activities that included fundraising appeals. Of those costs, \$1,290,308 and \$1,582,047, was allocated to program services (outreach and awareness) and \$604,166 and \$439,449, was allocated to fundraising for the years ended December 31, 2022 and 2021, respectively.

STUDENTS FOR LIFE ACTION, INC.

Notes to Financial Statements

December 31, 2022 and 2021

3. LIQUIDITY AND AVAILABILITY OF RESOURCES:

SFL Action's financial assets available to meet cash needs for general expenditures as of December 31, 2022 and 2021, consist of cash and cash equivalents of \$1,002,392 and \$1,382,393, respectively, which 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 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 statements 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:

	December 31,	
	2022	2021
Equipment	\$ 44,676	\$ 1,253
Less: accumulated depreciation	(4,963)	(84)
	<u>\$ 39,713</u>	<u>\$ 1,169</u>

Depreciation expense was \$4,880 and \$84 for the years ended December 31, 2022 and 2021, respectively.

5. EMPLOYEE BENEFITS:

Effective January 31, 2022, SFL Action established a 401(k) plan for employees. The formally adopted plan is supported by a written plan agreement. SFL Action matches all employee contributions up to 3 percent of an employee's gross salary. Employer contributions were approximately \$6,000 and \$0- for the years ended December 31, 2022 and 2021, respectively.

SFL Action 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 \$48,000 and \$14,000, respectively.

STUDENTS FOR LIFE ACTION, INC.

Notes to Financial Statements

December 31, 2022 and 2021

6. 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 years ended December 31, 2022 and 2021, SFL Action incurred expenses of \$499,955 and \$442,955, respectively, for various back-office support provided by SFL America. SFL Action received \$100,866 and \$-0-, respectively, from SFL America under the shared service agreement for the years ended December 31, 2022 and 2021. SFL Action also has a payable due to SFL America of \$106,490 and \$33,037 related to the shared services as of December 31, 2022 and 2021, respectively. Additionally, SFL Action incurred expenses of \$255,698 and \$91,172 during the years ended December 31, 2022 and 2021, respectively, for list rental from SFL America.

During the years ended December 31, 2022 and 2021, SFL Action received approximately \$10,800 and \$-0-, from related parties, including members of the Board of Directors.

7. 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.