

LIFE LEGAL DEFENSE FOUNDATION

(A California Not-for-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2011

LIFE LEGAL DEFENSE FOUNDATION

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Independent Auditors' Report

The Board of Directors
Life Legal Defense Foundation

We have audited the accompanying statement of financial position of Life Legal Defense Foundation (a California not-for-profit organization) as of December 31, 2011, and the related statement of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Life Legal Defense Foundation as of December 31, 2011 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

RINA accountancy corporation

Certified Public Accountants

Walnut Creek, California
March 1, 2012

LIFE LEGAL DEFENSE FOUNDATION

STATEMENT OF FINANCIAL POSITION - DECEMBER 31, 2011

ASSETS

CURRENT:

Cash		\$	787,283
Accounts receivable			19,577
Prepaid expenses			<u>34,693</u>

TOTAL CURRENT ASSETS 841,553

PROPERTY AND EQUIPMENT, at cost:

Furniture and equipment	\$	66,303	
Less accumulated depreciation		<u>62,271</u>	<u>4,032</u>

TOTAL ASSETS \$ 845,585

LIABILITIES AND NET ASSETS

LIABILITIES:

Credit cards payable		\$	2,208
Accrued expenses			<u>1,945</u>

TOTAL LIABILITIES 4,153

NET ASSETS:

Unrestricted	\$	841,432	
Temporarily restricted		<u>-</u>	<u>841,432</u>

TOTAL LIABILITIES AND NET ASSETS \$ 845,585

See notes to financial statements.

LIFE LEGAL DEFENSE FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Contributions	\$ 1,182,608	\$ 6,442	\$ 1,189,050
In-kind donations	617,500	-	617,500
Fundraising events, net of expenses	10,517	-	10,517
List rental	16,505	-	16,505
Interest and dividend income	64	-	64
Other income	1,680	-	1,680
	<hr/>	<hr/>	<hr/>
Total revenue	1,828,874	6,442	1,835,316
Net assets released from restrictions	6,442	(6,442)	-
	<hr/>	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUE	1,835,316	-	1,835,316
EXPENSES:			
Program services	1,627,265	-	1,627,265
Supporting services:			
Fundraising activities	31,453	-	31,453
General and administrative	180,173	-	180,173
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	1,838,891	-	1,838,891
DECREASE IN NET ASSETS	(3,575)	-	(3,575)
NET ASSETS, beginning of year	845,007	-	845,007
	<hr/>	<hr/>	<hr/>
NET ASSETS, end of year	<u>\$ 841,432</u>	<u>\$ -</u>	<u>\$ 841,432</u>

See notes to financial statements.

LIFE LEGAL DEFENSE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011

	Program Services	General and Administrative	Fundraising	Total Expenses
Case costs	\$ 725,190	\$ -	\$ -	\$ 725,190
Payroll and related expenses	378,942	23,672	-	402,614
Printing	130,332	1,431	11,003	142,766
Postage	112,873	14,183	9,815	136,871
Office expense	36,893	30,334	-	67,227
Lobbying	49,000	-	-	49,000
Mailhouse services	40,502	-	3,498	44,000
Contract labor	34,375	5,753	3,005	43,133
List rental	35,882	-	3,120	39,002
Lifeline	34,063	-	-	34,063
Travel	30,904	1,835	-	32,739
Rent	-	23,436	-	23,436
Professional fees	-	18,480	-	18,480
Utilities	1,441	13,835	-	15,276
Office supplies	1,169	13,617	-	14,786
Insurance	-	14,569	-	14,569
Advertising	12,129	-	1,012	13,141
Board meeting	-	8,215	-	8,215
Education	1,256	-	-	1,256
Depreciation	1,015	676	-	1,691
Repairs and maintenance	-	1,039	-	1,039
Miscellaneous	1,299	9,098	-	10,397
	<u>\$ 1,627,265</u>	<u>\$ 180,173</u>	<u>\$ 31,453</u>	<u>\$ 1,838,891</u>

See notes to financial statements.

LIFE LEGAL DEFENSE FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets		\$	(3,575)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	\$	1,691	
Decrease (increase) in:			
Accounts receivable		11,780	
Prepaid expenses		(1,365)	
Increase (decrease) in:			
Credit cards payable		(3,298)	
Accrued expenses		(910)	
			<u>7,898</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 4,323

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment	<u>(3,158)</u>	
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NET CASH USED BY INVESTING ACTIVITIES (3,158)

CASH FLOWS FROM FINANCING ACTIVITIES

NET INCREASE IN CASH AND CASH EQUIVALENTS 1,165

CASH AND CASH EQUIVALENTS, beginning of year 786,118

CASH AND CASH EQUIVALENTS, end of year \$ 787,283

SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:

During the year ended December 31, 2010 the Organization received \$617,500 of donated services.

See notes to financial statements.

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2011

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of activities:

Life Legal Defense Foundation (LLDF) is a not-for-profit organization established to provide education and charitable assistance to the general public by providing legal research and representation in right to life cases and issues. LLDF also provides educational materials in the form of publications, lectures, and seminars in areas affecting the general public's interest in right to life cases and issues.

Financial statement presentation:

The accompanying financial statements have been prepared using accounting principles generally accepted (GAAP) in the United States of America. LLDF is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted net asset, temporarily net assets, and permanently restricted net assets. In prior years LLDF has used the modified cash basis of accounting, but has chosen in the current year to use GAAP. This change in presentation has resulted in beginning unrestricted net assets being increased by \$56,324 due to accruals that would have been made in the prior year using GAAP. There has been no change to temporarily restricted net assets or permanently restricted net assets as a result of this presentation change.

Property and equipment:

Property and equipment is recorded at cost when purchased or at estimated fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Depreciation expense for the year ended December 31, 2011 was \$1,691.

Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated goods and services:

In-kind contributions are recognized as support and capitalized or expensed at their estimated fair values at the date of donation when the following conditions exist:

- The services performed create or enhance nonfinancial assets, or if the donated services requires specialized skill that is provided by someone possessing that skill and LLDF would otherwise need to purchase those services.
- LLDF has an objective measurable method to determine fair value.

Functional allocation of expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2011

Note 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued):

Income taxes:

LLDF is a qualified organization exempt from federal and California income taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701d of the California Revenue and Tax Code. In addition, LLDF has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the financial statements.

LLDF recognizes the financial statement benefit of an uncertain tax position only after considering the probability that a tax authority would sustain the position in an examination. For tax positions meeting a “more-likely-than-not” threshold, the amount recognized in the financial statements is the benefit expected to be realized upon settlement with the tax authority. For tax positions not meeting the threshold, no financial statement benefit is recognized. LLDF is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. LLDF recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense. Income tax returns for the years prior to 2007 are no longer subject to examination by tax authorities.

Subsequent events:

Management has evaluated subsequent events through March 1, 2012, the date which the financial statements were available for issue.

Note 2. NATURE OF ESTIMATES:

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Note 3. RETIREMENT PLAN:

LLDF has established a SIMPLE Retirement Plan for employees meeting certain eligibility requirements. Under the plan LLDF may make elective, matching contributions of up to 3% of employee’s compensation for the year. For the year ended December 31, 2011, LLDF’s contribution to the plan was \$7,057.

Note 4. ALLOCATION OF COSTS:

During the year ended December 31, 2011 LLDF incurred joint costs of \$380,612 for informational materials and activities that included fundraising appeals. These costs have been allocated to the following functional expense categories:

Program services	\$ 350,170
Fundraising	<u>30,442</u>
Total	<u>\$ 380,612</u>

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2011

Note 5. COMMITMENTS:

LLDF is liable under a lease commitment to a related party (see Note 6) for the following annual rentals on real properties:

Years Ending <u>December 31,</u>	
2012	\$ 23,436
2013	<u>19,530</u>
	<u>\$ 42,966</u>

Note 6. RELATED PARTY TRANSACTIONS:

Leases:

LLDF leases facilities from their Corporate Secretary. Approval to do so was granted by the Board of Directors of LLDF prior to this individual becoming Corporate Secretary. Rent expense under this lease is based on the fair market value of comparable property in the same geographic area. Rent expense under this lease for the year ended December 31, 2011 was \$23,436. Board review of the lease amount takes place each year at the first regularly scheduled board meeting following the end of the preceding fiscal year, which is December 31st.

Donated professional services:

During the year ended December 31, 2011, an officer of the Organization donated professional legal services in the amount of \$617,500. This amount was recognized as income and expense in the statement of activities and the statement of functional expenses.

Officer:

Certain members of the Corporate Secretary's immediate family were hired as outside contractors at prevailing market rates during 2011. The hiring of these family members took place prior to the Corporate Secretary becoming an officer of LLDF. The rate at which outside contractors are paid is based on prevailing rates in their area of expertise. Expenses paid to these family members for the year ended December 31, 2011 totaled \$43,321. Board review for prevailing rates takes place each year at the first regularly scheduled board meeting following the end of the preceding fiscal year, which is December 31st.