



LIFE LEGAL DEFENSE FOUNDATION

(A California Not-for-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2021

WITH COMPARATIVE TOTALS

FOR DECEMBER 31, 2020



Accountants & Advisors

LIFE LEGAL DEFENSE FOUNDATION

TABLE OF CONTENTS **DECEMBER 31, 2021**

	Page(s)
Independent auditors' report	2 - 3
Combined statements of financial position	4
Combined statements of activities	5
Combined statements of functional expenses	6
Combined statements of cash flows	7
Combined notes to financial statements	8 – 13



Independent Auditors' Report

To the Board of Directors
Life Legal Defense Foundation

Opinion

We have audited the accompanying combined financial statements of Life Legal Defense Foundation (a California not-for-profit organization) which comprise the combined statements of financial position as of December 31, 2021, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related combined notes to the financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Life Legal Defense Foundation as of December 31, 2021 and the results of its operations and its cash flows for the year 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 Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of Life Legal Defense Foundation 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.

Prior Period Summarized Comparative Information

We have previously audited the Life Legal Defense Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Combined 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 consolidated 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 Life Legal Defense Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Life Legal Defense Foundation'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.

Certified Public Accountants

RINA Accountancy LLP

San Francisco, California

May 9, 2021

LIFE LEGAL DEFENSE FOUNDATION

COMBINED STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
CURRENT:		
Cash	\$ 730,599	\$ 545,703
Accounts receivable	71,162	69,697
Investments	4,791,351	2,944,224
Prepaid expenses	3,295	10,898
TOTAL CURRENT ASSETS	<u>5,596,407</u>	<u>3,570,522</u>
PROPERTY AND EQUIPMENT, at cost:		
Equipment	32,077	40,452
Furniture and fixtures	8,947	18,265
	41,024	58,717
Less accumulated depreciation	<u>34,193</u>	<u>46,261</u>
PROPERTY AND EQUIPMENT, net	<u>6,831</u>	<u>12,456</u>
TOTAL ASSETS	<u>\$ 5,603,238</u>	<u>\$ 3,582,978</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 36,902	\$ 8,015
Accrued expenses	4,835	5,580
TOTAL LIABILITIES	41,737	13,595
NET ASSETS:		
Without donor restrictions	5,441,913	3,569,383
With donor restrictions	<u>119,588</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,603,238</u>	<u>\$ 3,582,978</u>

See notes to financial statements.

LIFE LEGAL DEFENSE FOUNDATION

COMBINED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	Without donor Restrictions	With donor Restrictions	Totals	
			2021	2020
SUPPORT AND REVENUE:				
Contributions	2,629,263	72,380	\$ 2,701,643	1,956,834
In-kind donations	2,083,234	-	2,083,234	2,046,354
PPP Grant	169,100		169,100	91,200
Interest and dividend income	59,157	-	59,157	43,729
Gain on investments, net	688,380	-	688,380	225,163
Total revenue	5,629,134	72,380	5,701,514	4,363,280
Net assets released from restrictions	10,136	(10,136)	-	-
TOTAL SUPPORT AND REVENUE	5,639,270	62,244	5,701,514	4,363,280
EXPENSES:				
Program services	3,474,589	-	3,474,589	2,973,150
Supporting services:				
Management and general	117,479	-	117,479	82,865
Fundraising activities	174,672	-	174,672	97,918
TOTAL EXPENSES	3,766,740	-	3,766,740	3,153,933
INCREASE IN NET ASSETS	1,872,530	62,244	1,934,774	1,209,346
NET ASSETS, beginning of year	3,569,383	-	3,569,383	2,360,037
CRTL ASSETS, beginning of year	-	57,344	-	-
NET ASSETS, end of year	\$ 5,441,913	\$ 119,588	\$ 5,504,157	\$ 3,569,383

See notes to financial statements.

LIFE LEGAL DEFENSE FOUNDATION

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	Program	Management and General	Fundraising	Totals	
				2021	2020
Case costs	\$ 2,320,327	\$ -	\$ -	\$ 2,320,327	\$ 2,160,702
Payroll and related expenses	573,748	32,040	3,836	609,624	389,114
Printing	163,976	-	85,900	249,876	113,595
Postage	120,345	2,849	50,590	173,784	94,891
Contract labor	35,355	1,837	7,220	44,412	91,665
Professional fees	-	44,105	-	44,105	41,172
List rental	26,597	-	14,322	40,919	11,231
Lifeline	36,823	-	-	36,823	36,428
Mailhouse services	23,779	-	12,804	36,583	36,088
Travel	33,848	-	-	33,848	15,155
Internet and IT costs	30,396	-	-	30,396	44,695
Office supplies	27,040	1,347	-	28,387	23,169
Rent	24,315	2,525	-	26,840	24,636
Insurance	18,933	1,033	-	19,966	17,609
Advertising	19,220	-	-	19,220	5,941
Bank charges	-	17,676	-	17,676	14,142
Utilities	8,962	3,997	-	12,959	13,279
Office expense	6,187	5,285	-	11,472	9,884
Depreciation	4,420	2,946	-	7,366	6,483
Board meeting	-	1,209	-	1,209	3,869
Repairs and maintenance	-	630	-	630	185
Miscellaneous	319	-	-	319	0
Total functional expenses	<u>\$ 3,474,589</u>	<u>\$ 117,479</u>	<u>\$ 174,672</u>	<u>\$ 3,766,740</u>	<u>\$ 3,153,933</u>

See notes to financial statements.

LIFE LEGAL DEFENSE FOUNDATION

COMBINED STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>December 31, 2021</u>	<u>Year Ended</u> <u>December 31, 2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,934,774	\$ 1,209,346
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	6,018	6,483
Realized and unrealized (gain) loss on investments	(721,879)	305,624
Loss on disposal of property and equipment	1,348	-
CTRL Assets transferred on combination	57,344	-
Decrease (increase) in:		
Accounts receivable	(1,465)	(18,870)
Prepaid expenses	(397)	7,656
Increase (decrease) in:		
Accounts payable	36,887	(2,288)
Accrued expenses	(744)	(32,656)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,311,886	1,475,295
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of investments	(1,849,875)	(2,032,819)
Proceeds from sale of investments	724,627	531,015
Purchases of property and equipment	(1,741)	(3,012)
NET CASH USED BY INVESTING ACTIVITIES	(1,126,989)	(1,504,816)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	184,896	(29,521)
CASH AND CASH EQUIVALENTS, beginning of year	545,703	575,224
CASH AND CASH EQUIVALENTS, end of year	\$ 730,599	\$ 545,703
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Value of donated services received during the year.	\$ 2,083,234	\$ 2,046,354

See notes to financial statements.

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO COMBINED FINANCIAL STATEMENTS - DECEMBER 31, 2021

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 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.

During the year ended December 31, 2021, LLDF took over management of California Right to Life (CTRL). CTRL remains a separate legal entity but is combined with LLDF for reporting purposes. Assets in the amount of \$57,344 were included in the beginning net assets balances. CTRL funds are recorded as temporarily restricted until expended.

Financial statement presentation:

LLDF prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for Not-for-Profit Organizations. The significant accounting and reporting policies used by LLDF are described subsequently to enhance the usefulness and understandability of the financial statements. LLDF uses the accrual basis of accounting. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Cash and cash equivalents:

LLDF considers all highly liquid investments with maturities of three months or less at the date of acquisition to be cash equivalents.

Investments:

Investments in marketable equity and debt securities are recorded at fair value. Investments in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements. For the years ended December 31, 2021, gain on investments of \$688,380 is presented net of investment fees of \$33,499.

Receivables:

Receivables are stated at the amount management expects to collect from outstanding balances. Uncollectible accounts are written-off when management determines that they will not be collected. Management has determined that an allowance for bad debts is not required at December 31, 2021.

Property and equipment:

Property and equipment is recorded at cost when purchased or at estimated fair value at the time of donation. LLDF's capitalization policy amount is \$750. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Depreciation expense for the year ended December 31, 2021 was \$7,366.

Revenue recognition:

Contributions are recognized as revenue when they are unconditionally communicated. Contributions are recognized when the donor makes a promise to give; that is, in substance, an unconditional promise. 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 increases in net assets with donor

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO COMBINED FINANCIAL STATEMENTS - DECEMBER 31, 2021

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

Revenue recognition (Continued):

restrictions. When a restriction expires, that is, when a designated time restriction ends or a 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.

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 require 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.
- During the years ended December 31, 2021, LLDF received donated professional legal services in the amount of \$2,083,234. These amounts were recognized as income and part of court case costs in the statements of activities and the statements of functional expenses.

Functional allocation of expenses:

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries, payroll taxes, employee benefits, contract services, printing, mailing, rent, office expense, and insurance, which are allocated on the basis of staff time and effort and measurement of the number of lines used for education and fundraising letters.

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.

Subsequent events:

Management has evaluated events through TBD, the date which the financial statements were available for issue. Management has concluded that there were no subsequent events required to be disclosed or recognized in the financial statements.

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.

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO COMBINED FINANCIAL STATEMENTS - DECEMBER 31, 2021

Note 3. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject LLDF to concentrations of credit risk consist principally of cash and receivables. LLDF places its cash with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. LLDF has not experienced any losses in such accounts.

Note 4. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following reflects LLDF's financial assets as of the statement of financial position date:

Cash and cash equivalents	\$ 730,599
Investments	4,791,351
Accounts receivable	<u>71,162</u>
Less amounts not available to be used within one year:	
Financial assets encumbered by donor restrictions	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 5,593,111</u>

Life Legal Defense Foundation has adopted a policy to retain liquid assets to cover three months of operating expenses.

Note 5. FAIR VALUE MEASUREMENTS:

Professional accounting standard establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under professional accounting standards are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO COMBINED FINANCIAL STATEMENTS - DECEMBER 31, 2021

Note 5. FAIR VALUE MEASUREMENTS (CONTINUED):

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

Mutual Funds – Valued at the net asset value (NAV) of shares held by LLDF at year end.

Common Stocks – Valued at the price reported on the active market on which the individual securities are traded.

Bond Funds – Calculated at its present value of future interest payments and its value upon maturity.

Certificates of Deposit – Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although LLDF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, the fair value hierarchy of LLDF's assets at fair value as of December 31, 2021.

	Investments at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 3,282,663	\$ -	\$ -	\$ 3,282,663
Bond funds	188,552	288,250	-	476,802
Mutual funds	1,031,886	-	-	1,031,886
Total investments at fair value	\$ 4,503,101	\$ 288,250	\$ -	\$ 4,791,351

Marketable securities are stated at fair value. Cost and unrealized gains (loss) are summarized by type of investment at December 31, 2021, as follows:

	Fair Value	Cost	Unrealized Gain
Common stocks	\$ 3,282,663	\$ 2,366,830	\$ 915,833
Bond funds	476,802	476,006	796
Mutual funds	1,031,886	1,035,775	(3,889)
Total investments	\$ 4,791,351	\$ 3,878,611	\$ 912,740

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO COMBINED FINANCIAL STATEMENTS - DECEMBER 31, 2021

Note 6. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following at December 31, 2021:

	January 1, 2021	Contributions	Released from Restrictions	December 31, 2021
CRTL	\$ 57,344	\$ 72,380	\$ 10,136	\$ 119,588
	\$ 57,344	\$ 72,380	\$ 10,136	\$ 119,588

Note 7. PAYCHECK PROTECTION PROGRAM:

On February 21, 2020, LLDF received loan proceeds of \$169,100 from a promissory note issued by Umpqua Bank, under the Paycheck Protection Program (“PPP”) which was established under the CARES Act and is administered by the U.S. Small Business Administration (SBA). The term of the loan is five years and the annual interest rate is 1%. Payments of principal and interest are deferred for the first ten months of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs and compensation levels with certain limitations. LLDF met the PPP’s eligibility criteria and has concluded that the PPP loan represents, in substance, a grant that will be forgiven, and accordingly has accounted for the PPP loan as a grant. Proceeds received under the PPP are recognized as grant revenue when the LLDF has incurred expenditures in compliance with the promissory note provisions. For the year ended December 31, 2021, LLDF recognized \$169,100 in Paycheck Protection Program grant revenue based on qualifying expenditures under the PPP program. Forgiveness was received on January 27, 2022.

On June 9, 2021 LLDF received forgiveness on the grant income recognized in the year ended December 31, 2020.

Note 8. 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 years ended December 31, 2021 LLDF’s contributions to the Plan were \$12,077.

Note 9. JOINT COSTS ALLOCATION:

During the year ended December 31, 2021, LLDF incurred joint costs of \$434,129 for informational materials and activities that included fundraising appeals. These costs have been allocated to the following functional expense categories:

Program services	\$ 342,871
Fundraising	170,836
General and administrative	253
Totals	\$ 513,960

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO COMBINED FINANCIAL STATEMENTS - DECEMBER 31, 2021

Note 10. COMMITMENTS:

LLDF has a commitment to a related party for real property where the Organization's office is located. The current lease is set to expire October 31, 2023. Future minimum rental payments under the lease as of December 31, 2021 are as follows:

Year Ending December 31,		
2022	\$	27,096
2023		<u>22,580</u>
Totals	\$	<u>49,676</u>

Note 11 RELATED PARTY TRANSACTIONS:

Leases:

LLDF leases facilities from a family member of 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 years ended December 31, 2021 was \$25,251. Board review of the lease amount takes place each year at the last regularly scheduled board meeting of the preceding calendar year. The board has extended the lease for an additional two years expiring on October 31, 2023.

Officer:

Certain members of the Corporate Secretary's immediate family were hired as outside contractors at prevailing market rates during 2021. 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, 2021 totaled \$44,166. Board review for prevailing rates takes place each year at the last regularly scheduled board meeting of the year.