



**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2022**



## **Independent Auditors' Report**

The Board of Directors  
Life Legal Defense Foundation  
Napa, CA

### **Opinion**

We have audited the accompanying consolidated financial statements of Life Legal Defense Foundation (LLDF) and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of LLDF as of December 31, 2022, and the changes in its net assets 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 Financial Statements section of our report. We are required to be independent of LLDF 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 Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 LLDF's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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The Board of Directors  
Life Legal Defense Foundation  
Napa, CA

### **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, including omissions, 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 LLDF'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 LLDF'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.



Bethesda, Maryland  
March 23, 2023

Certified Public Accountants

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**Life Legal Defense Foundation**

**Consolidated Statement of Financial Position  
December 31, 2022**

<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,020,030
Investments - Fair Value	4,243,376
Contributions Receivable	68,220
Prepaid Expenses	13,263
Property and Equipment - Net	9,600
Right of Use (ROU) Asset - Net	<u>22,412</u>
<b>Total Assets</b>	<b><u>\$ 5,376,901</u></b>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
Accounts Payable and Accrued Expenses	\$ 114,460
Lease Liability	<u>22,499</u>
<b>Total Liabilities</b>	<b><u>136,959</u></b>
<b>Net Assets</b>	
Without Donor Restrictions	5,076,426
With Donor Restrictions	<u>163,516</u>
<b>Total Net Assets</b>	<b><u>5,239,942</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 5,376,901</u></b>

*See Accompanying Notes to Financial Statements*

**Life Legal Defense Foundation**  
**Consolidated Statement of Activities**  
**For the Year Ended December 31, 2022**

	<b>2022</b>		<b>Total</b>
	Without Donor Restrictions	With Donor Restrictions	
<b>Support and Revenues</b>			
Contributions	\$ 2,340,295	\$ 92,733	\$ 2,433,028
In-Kind Contributions	2,336,557	-	2,336,557
Investment Income (Loss) - Net	(751,792)	-	(751,792)
Net Assets Released From Restrictions	48,805	(48,805)	-
<b>Total Support and Revenues</b>	<b>3,973,865</b>	<b>43,928</b>	<b>4,017,793</b>
<b>Expenses</b>			
Program Services	4,024,208	-	4,024,208
Supporting Services			
Management and General	157,964	-	157,964
Fundraising	157,180	-	157,180
Total Supporting Services	<b>315,144</b>	<b>-</b>	<b>315,144</b>
<b>Total Expenses</b>	<b>4,339,352</b>	<b>-</b>	<b>4,339,352</b>
Changes in Net Assets	(365,487)	43,928	(321,559)
Net Assets, Beginning of Period	5,441,913	119,588	5,561,501
<b>Net Assets, End of Period</b>	<b>\$ 5,076,426</b>	<b>\$ 163,516</b>	<b>\$ 5,239,942</b>

*See Accompanying Notes to Financial Statements*

**Life Legal Defense Foundation**

**Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2022**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Personnel Costs	\$ 590,297	\$ 41,398	\$ 4,732	\$ 636,427
Contract Services	57,443	3,088	11,935	72,466
Education	568,600	-	-	568,600
Publications	-	8,595	90,957	99,552
Information Technology	19,221	2,828	7,351	29,400
Supplies and Consumables	25,248	4,963	33,852	64,063
Office	35,033	25,878	1,633	62,544
Travel	18,479	279	-	18,758
Occupancy	23,936	2,978	269	27,183
Insurance	6,746	16,280	32	23,058
Fees and Licenses	3,660	-	5,300	8,960
Case Costs	343,516	-	-	343,516
Professional Fees	-	51,677	-	51,677
Depreciation	1,679	-	1,119	2,798
Professional Fees - In-Kind	2,330,350	-	-	2,330,350
<b>Total Expenses</b>	<b>\$ 4,024,208</b>	<b>\$ 157,964</b>	<b>\$ 157,180</b>	<b>\$ 4,339,352</b>

*See Accompanying Notes to Financial Statements*

**Life Legal Defense Foundation**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2022**

<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ (321,559)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities	
Depreciation	2,798
Amortization on ROU Asset	26,895
(Gains) Losses on Investments	815,340
<u>(Increase) Decrease in Assets</u>	
Contributions Receivable	2,942
Prepaid Expenses	(9,968)
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable and Accrued Expenses	72,723
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>589,171</b>
<b>Cash Flows from Investing Activities</b>	
Purchases of Property and Equipment	(5,567)
Purchases of Investments	(1,521,021)
Proceeds from Sale of Investments	1,253,656
<b>Net Cash Provided By (Used in) Investing Activities</b>	<b>(272,932)</b>
<b>Cash Flows from Financing Activities</b>	
Principal Payments on Lease Liability	(26,808)
<b>Net Cash Provided By (Used in) Financing Activities</b>	<b>(26,808)</b>
Net Increase (Decrease) in Cash and Cash Equivalents	289,431
Cash and Cash Equivalents, Beginning of Period	730,599
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 1,020,030</b>

**Supplementary Information**

Cash Paid for Interest	<b>288</b>
Recognition of ROU Asset and Lease Liability	<b>49,307</b>

*See Accompanying Notes to Financial Statements*

# Life Legal Defense Foundation

## Notes to Consolidated Financial Statements December 31, 2022

### 1. ORGANIZATION AND PURPOSE

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 (CRTL). CRTL remains a separate legal entity but is consolidated with LLDF for reporting purposes. CRTL had cash balances of \$159,735 as of December 31, 2022. CRTL funds are recorded as net assets with donor restrictions until expended.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The consolidated financial statements of LLDF have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires LLDF to report information regarding its consolidated financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of LLDF. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of LLDF or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

#### Use of Estimates

The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

Accordingly, actual results could differ from those estimates.



# **Life Legal Defense Foundation**

## **Notes to Consolidated Financial Statements December 31, 2022**

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **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.

#### **Contributions Receivable**

Contributions receivable are reported at their outstanding balances. Management periodically evaluates the collectability of contributions receivable by considering LLDF's past receivables loss experience, known and inherent risks in the contributions receivable population, adverse situations that may affect a client's ability to pay, and current economic conditions. Contributions receivable are charged off based on management's determination that they are uncollectible. Management believes all significant contributions receivable are collectible in less than one year. As of December 31, 2022, no allowance for doubtful accounts was considered necessary by management.

#### **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 consolidated financial statements.

#### **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 \$1,500. Depreciation and amortization is computed using the straight-line method over the estimated useful life of the asset.

#### **Right of Use Asset and Lease Liability**

The right of use asset and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using LLDF's estimated incremental borrowing rate or implicit rate, when readily determinable. The asset is amortized on a straight-line basis over the lease term and is reflected as occupancy expense in the accompanying consolidated financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Interest is charged to occupancy expense for the difference. Short-term operating leases, which have an initial term of twelve months or less, are not recorded on the consolidated statements of financial position.

# Life Legal Defense Foundation

## Notes to Consolidated Financial Statements December 31, 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Management considers all outstanding contributions receivable amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. During the year ended December 31, 2022, LLDF received donated professional legal services in the amount of \$2,330,350. These amounts were recognized as in-kind contributions and professional fees in the statements of activities and functional expenses.

#### Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Direct expenses are coded to their related department(s). Any non-direct expenses are allocated across programs and supporting services based on the annual salary allocation.

#### Income Tax Status

LLDF and CRTL received determination letters from the Internal Revenue Service (IRS) stating that they have been granted an exemption from federal and state income taxes and they qualify as a publicly supported organization under Section 501(c)(3) of the IRC. LLDF and CRTL have also been classified as entities that are not private foundations within the meaning of Section 509(a) of the IRC. LLDF believes its operations are consistent with the nature of their exemption granted by the IRS. LLDF has recorded no current liability for income taxes on unrelated business income or corporate income taxes and no temporary differences resulting in deferred taxes as of December 31, 2022.

LLDF is required to measure, recognize, present, and disclose in its consolidated financial statements uncertain income tax positions LLDF has taken in the tax years that remain subject to examination or expects to take on an income tax return. LLDF recognizes the tax benefits from uncertain income tax positions only if it is more likely than not the tax position will be sustained on examination by tax authorities. Prior year income tax returns may be subject to audit in various tax jurisdictions, most of which define open tax years as three years from the later of the due date or the date the return was filed. LLDF recorded no liability for uncertain income tax positions for any open tax years.

# Life Legal Defense Foundation

## Notes to Consolidated Financial Statements December 31, 2022

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### New Accounting Pronouncements

In 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. The new standard applies to finance and operating leases entered into after the standard was issued. LLDF adopted this standard in 2022.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. This standard was adopted in the current fiscal year and did not have a significant impact on the financial statements, with the exception of increased disclosure.

#### Subsequent Events

Management has evaluated subsequent events through March 23, 2023 the date which the consolidated financial statements were available to be issued. The accompanying consolidated financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of consolidated financial position date, including the estimates inherent in the process of preparing consolidated financial statements. The accompanying consolidated financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

### 3. CONCENTRATION OF CREDIT RISK

LLDF maintains cash and investments in a federally insured bank and broker-managed accounts and has credit risk on those amounts to the extent they exceed federal insurance limits. LLDF's balances exceeded the federally-insured limit by approximately \$54,000 as of December 31, 2022. LLDF believes its credit risk is not significant.

### 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

Financial assets measured using Level 1 inputs are based on unadjusted quoted market prices in active markets for identical assets. Financial assets measured using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are valued using unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs are developed based on the best information available in the circumstances, which might include LLDF's own data and assumptions.

# Life Legal Defense Foundation

## Notes to Consolidated Financial Statements December 31, 2022

### 4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2022.

**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 and Notes** – 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.

Fair values of assets measured on a recurring basis at December 31, 2022, are as follows:

	Fair Value	Level 1	Level 2
Money Funds	\$ 6,856	\$ 6,856	\$ -
Common Stocks	2,813,032	2,813,032	-
Corporate Bonds and Notes	24,903	-	24,903
Mutual Funds - Fixed Income	999,965	999,965	
Certificates of Deposit	398,620	-	398,620
Total	<u>\$ 4,243,376</u>	<u>\$ 3,819,853</u>	<u>\$ 423,523</u>

There were no investments measured at level 3 as of December 31, 2022.

The components of total investment return for the year ended December 31, 2022 are reflected below:

Dividends and Interest	\$ 95,017
Net Unrealized Gains (Losses)	(731,047)
Net Realized Gains (Losses)	(84,293)
Less: Investment Advisory Fees	<u>(31,469)</u>
Investment Income (Loss) - Net	<u>\$ (751,792)</u>

# Life Legal Defense Foundation

## Notes to Consolidated Financial Statements December 31, 2022

### 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2022:

Equipment	\$ 37,644
Furniture and Fixtures	8,947
	<hr/>
Total	46,591
Less Accumulated Depreciation	(36,991)
	<hr/>
Property and Equipment - Net	\$ 9,600

LLDF recorded total depreciation expense on its property and equipment of \$2,798 for the year ended December 31, 2022.

Right of Use asset consists of the following as of December 31, 2022:

Right of Use (ROU) Asset	\$ 49,307
Less Accumulated Amortization	(26,895)
	<hr/>
Right of Use (ROU) Asset - Net	\$ 22,412

LLDF recorded total amortization expense on its ROU asset of \$26,895 for the year ended December 31, 2022.

### 6. NET ASSETS

Net assets with donor restrictions as of and for the year ended December 31, 2022 were:

	<u>2021</u>	<u>Contributions</u>	<u>Releases</u>	<u>2022</u>
<b>Purpose:</b>				
CRTL	\$ 119,588	\$ 92,733	\$ (48,805)	<b>\$ 163,516</b>

Net assets without donor restrictions as of December 31, 2022 were undesignated.

### 7. DONATED GOODS AND SERVICES

Contributed services are recognized as in-kind revenues and expense if they meet certain criteria. LLDF received approximately 5,500 hours of contributed legal services during the year ended December 31, 2022. LLDF valued these hours based on the lawyer's reported hourly rate, ranging from \$50 to \$600 an hour. LLDF reported of \$2,330,350 of donated legal service revenue and expense.

LLDF also reported \$6,207 of donated goods.

# Life Legal Defense Foundation

## Notes to Consolidated Financial Statements December 31, 2022

### 8. LEASE LIABILITY

LLDF has a commitment to a related party for real property where LLDF's office is located. The current lease is set to expire October 31, 2023.

The lease liability is recorded based on the present value of the future payments of the lease, discounted at an estimated incremental borrowing rate of .78%, based on comparable interest rates available to LLDF under borrowing arrangements for a similar amount and duration of the lease (remaining term method). LLDF has established a right of use asset equal to the remaining lease liability under the lease agreement.

As of December 31, 2022, the lease liability was as follows:

2023	\$ 22,580
Less Amount Representing Interest	<u>(81)</u>
Total	<u>\$ 22,499</u>

The following schedule shows the composition of occupancy expense for the year ended December 31, 2022:

Right of Use Asset Amortization	\$ 26,895
Interest on Lease Liability	<u>288</u>
Total	<u>\$ 27,183</u>

### 9. RELATED PARTY TRANSACTIONS

LLDF leases facilities from a family member of its Corporate Secretary. Approval to do so was granted by the Board of Directors of LLDF prior to this individual becoming Corporate Secretary. Payments made under this lease are based on the fair market value of comparable property in the same geographic area. Payments made under this lease for the year ended December 31, 2022 were \$27,096. Board review of the lease amount takes place each year at the last regularly scheduled board meeting of the year. The board has extended the lease for an additional two years expiring on October 31, 2023.

Certain members of the Corporate Secretary's immediate family were hired as outside contractors at prevailing market rates during 2022. 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, 2022 totaled \$81,503. Board review for prevailing rates takes place each year at the last regularly scheduled board meeting of the year.

### 10. 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, 2022 LLDF's contributions to the Plan were \$12,520.

## Life Legal Defense Foundation

### Notes to Consolidated Financial Statements December 31, 2022

#### 11. JOINT COSTS

During the year ended December 31, 2022, LLDF incurred joint costs of \$469,192 for informational materials and activities that included fundraising appeals. These costs have been allocated to the following functional expense categories:

Program Services	\$ 365,947
Fundraising	90,180
Management and General	<u>13,065</u>
Total	<u>\$ 469,192</u>

#### 12. LIQUIDITY AND AVAILABILITY

The following represents LLDF's financial assets at December 31, 2022:

Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 1,020,030
Investments - Fair Value	4,243,376
Contributions Receivable	<u>68,220</u>
Total Financial Assets	5,331,626
Less: Restricted Amounts Not Available To Be Used Within One Year:	
Donor-Restricted	163,516
Donor-Restricted To Be Used in Next Twelve Months	(163,516)
Board-Designated	<u>-</u>
	<u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 5,331,626</u>

LLDF has a policy to structure its financial assets to be available and liquid as its obligations become due.