



LIFE LEGAL DEFENSE FOUNDATION

(A California Not-for-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2019

WITH COMPARATIVE TOTALS

FOR DECEMBER 31, 2018



Accountants & Advisors

LIFE LEGAL DEFENSE FOUNDATION

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Independent Auditor' Report

To the Board of Directors
Life Legal Defense Foundation

We have audited the accompanying financial statements of Life Legal Defense Foundation (a California not-for-profit organization), which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Life Legal Defense Foundation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RINA Accountancy LLP

Certified Public Accountants

San Francisco, California
May 11, 2020

LIFE LEGAL DEFENSE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
CURRENT:		
Cash	\$ 575,224	\$ 923,116
Accounts receivable	50,827	57,067
Investments	1,748,044	544,582
Prepaid expenses	18,554	13,026
TOTAL CURRENT ASSETS	<u>2,392,649</u>	<u>1,537,791</u>
PROPERTY AND EQUIPMENT, at cost:		
Equipment	37,441	30,711
Furniture and fixtures	18,265	18,265
	55,706	48,976
Less accumulated depreciation	39,778	33,928
PROPERTY AND EQUIPMENT, net	<u>15,928</u>	<u>15,048</u>
TOTAL ASSETS	<u>\$ 2,408,577</u>	<u>\$ 1,552,839</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Credit cards payable	\$ 10,303	\$ 9,047
Accrued expenses	38,236	34,875
TOTAL LIABILITIES	48,539	43,922
NET ASSETS:		
Without donor restrictions	2,360,038	1,508,917
With donor restrictions	-	-
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,408,577</u>	<u>\$ 1,552,839</u>

See notes to financial statements.

LIFE LEGAL DEFENSE FOUNDATION

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	Without donor Restrictions	With donor Restrictions	Totals	
			2019	2018
SUPPORT AND REVENUE:				
Contributions	\$ 2,065,226	\$ -	\$ 2,065,226	\$ 1,829,818
In-kind donations	1,654,063	-	1,654,063	1,374,264
Case reimbursements	104	-	104	75,000
Interest and dividend income	37,813	-	37,813	3,917
Gain (loss) on investments, net	138,001	-	138,001	(5,449)
Total revenue	3,895,207	-	3,895,207	3,277,550
Net assets released from restrictions	-	-	-	-
TOTAL SUPPORT AND REVENUE	3,895,207	-	3,895,207	3,277,550
EXPENSES:				
Program services	2,826,127	-	2,826,127	2,949,042
Supporting services:				
Management and general	103,517	-	103,517	86,208
Fundraising activities	114,441	-	114,441	199,121
TOTAL EXPENSES	3,044,085	-	3,044,085	3,234,371
INCREASE IN NET ASSETS	851,122	-	851,122	43,179
NET ASSETS, beginning of year	1,508,916	-	1,508,916	1,465,738
NET ASSETS, end of year	\$ 2,360,038	\$ -	\$ 2,360,038	\$ 1,508,917

See notes to financial statements.

LIFE LEGAL DEFENSE FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018

	Program	Management and General	Fundraising	Totals	
				2019	2018
Case costs	\$ 1,878,185	\$ -	\$ -	\$ 1,878,185	\$ 1,817,961
Payroll and related expenses	514,577	34,815	14,357	563,749	523,362
Printing	69,396	-	37,152	106,548	204,466
Postage	57,168	1,815	21,795	80,778	183,143
Contract labor	56,050	1,363	15,115	72,528	54,359
Lifeline	40,779	-	-	40,779	63,469
Travel	40,314	-	-	40,314	25,372
Internet and IT costs	39,194	-	-	39,194	65,540
Office supplies	32,597	1,587	-	34,184	20,103
Professional fees	-	30,654	-	30,654	23,585
Rent	25,592	2,344	-	27,936	28,311
Mailhouse services	18,095	-	9,744	27,839	58,328
Insurance	19,965	627	-	20,592	20,185
Utilities	11,014	4,805	-	15,819	10,288
Advertising	12,159	-	-	12,159	44,888
Office expense	2,990	6,552	-	9,542	11,112
List rental	4,542	-	2,446	6,988	42,568
Bank charges	-	2,337	-	2,337	11,472
Board meeting	-	8,407	-	8,407	7,710
Repairs and maintenance	-	5,871	-	5,871	3,939
Depreciation	3,510	2,340	-	5,850	5,190
Computer	-	-	-	-	5,821
Miscellaneous	-	-	13,832	13,832	3,199
Total functional expenses	\$ 2,826,127	\$ 103,517	\$ 114,441	\$ 3,044,085	\$ 3,234,371

See notes to financial statements.

LIFE LEGAL DEFENSE FOUNDATION

STATEMENTS OF CASH FLOWS

	<u>Year Ended</u> <u>December 31, 2019</u>	<u>Year Ended</u> <u>December 31, 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 851,122	\$ 43,179
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	5,850	5,190
Unrealized gain (loss) on investments	112,101	(5,449)
Decrease (increase) in:		
Accounts receivable	6,240	89,590
Prepaid expenses	(5,528)	(7,239)
Increase (decrease) in:		
Credit cards payable	1,256	(5,803)
Accrued expenses	3,361	(8,348)
NET CASH PROVIDED BY OPERATING ACTIVITIES	974,402	111,120
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of investments	(1,671,882)	(547,150)
Proceeds from sale of investments	356,319	8,017
Purchases of property and equipment	(6,731)	(3,859)
NET CASH USED BY INVESTING ACTIVITIES	(1,322,294)	(542,992)
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(347,892)	(431,872)
CASH AND CASH EQUIVALENTS, beginning of year	923,116	1,354,988
CASH AND CASH EQUIVALENTS, end of year	\$ 575,224	\$ 923,116
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Value of donated services received during the year.	\$ 1,654,063	\$ 1,374,264

See notes to financial statements.

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2019

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.

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.

On August 18, 2016, the Financial Accounting Standard Board (FASB) issued ASU 2016-14, Not-For-Profit Entities (ASU 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. LLDF adopted ASU 2016-14 effective July 1, 2018, and has adjusted the presentation of its financial statements, accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the LLDF's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions. LLDF had no net assets with donor restrictions at December 31, 2019.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (See Note 4).

LLDF has adopted this accounting standard and presents the statements accordingly. The ASU has been applied retrospectively to all periods.

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 year ended December 31, 2019, investment income of \$138,001 is presented net of investment fees of \$9,560.

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2019

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

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, 2019.

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, 2019 was \$5,850.

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 increases in net assets with donor restrictions. When a temporary restriction is met, 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 year ended December 31, 2019, LLDF received donated professional legal services in the amount of \$1,654,063. 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 various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

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.

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2019

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

New accounting pronouncements:

On November 17, 2016, FASB issued ASU 2016-2018, Statement of Cash Flows (ASU 230) – *Restricted Cash*. The update addresses the diversity in classification and presentation of changes in restricted cash on the statement of cash flows. The Organization has adopted this accounting standard and presents these statements accordingly. The ASU has been applied retrospectively to all periods.

In June 2018, FASB issued ASU No. 2018-08, Not-For-Profit Entities – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard provided a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction based on whether a resource provider is receiving value in return for the resources transferred. Further, the ASU provides additional guidance to help determine whether a contribution is conditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date of this amendment is for fiscal years beginning after December 15, 2018.

Subsequent events:

Management has evaluated events through May 11, 2020, 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.

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.

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2019

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	\$ 575,223
Investments	1,748,044
Accounts receivable	<u>50,827</u>
Less amounts not available to be used within one year:	
Financial assets encumbered by board designations	-
Financial assets encumbered by donor restrictions	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,374,094</u>

Life Legal Defense Foundation, while not explicitly stated in any policy, has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are on average approximately \$235,145.

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.

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.

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2019

Note 5. 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, 2019.

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, 2019.

	Investments at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 150,006	\$ -	\$ 150,006
Common stocks	809,120	-	-	809,120
Bond funds	-	9,700	-	9,700
Mutual funds	779,218	-	-	779,218
Total investments at fair value	\$ 1,588,338	\$ 159,706	\$ -	\$ 1,748,044

Marketable securities are stated at fair value. Cost and unrealized gains (loss) are summarized by type of investment at December 31, 2019, as follows:

	Fair Value		Unrealized
		Cost	Gain
Certificates of deposit	\$ 150,006	\$ 150,000	\$ 6
Common stocks	809,120	703,371	105,749
Bond funds	9,700	9,700	-
Mutual funds	779,218	779,085	133
Total investments	\$ 1,748,044	\$ 1,642,156	\$ 105,888

LIFE LEGAL DEFENSE FOUNDATION

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2019

Note 6. 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, 2019, LLDF's contributions to the Plan were \$11,638.

Note 7. JOINT COSTS ALLOCATION:

During the year ended December 31, 2019, LLDF incurred joint costs of \$417,722 for informational materials and activities that included fundraising appeals. These costs have been allocated to the following functional expense categories:

Program services	\$ 300,867
Fundraising	101,915
General and administrative	<u>14,940</u>
Totals	<u><u>\$ 417,722</u></u>

Note 8. 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, 2021. Future minimum rental payments under the lease as of December 31, 2019 are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2020	\$ 24,636
2021	<u>20,530</u>
Totals	<u><u>\$ 45,166</u></u>

Note 9. 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 year ended December 31, 2019 was \$27,717. Board review of the lease amount takes place each year at the last regularly scheduled board meeting of the preceding calendar year. The board agreed on a two-year lease expiring on October 31, 2021.

Officer:

Certain members of the Corporate Secretary's immediate family were hired as outside contractors at prevailing market rates during 2019. 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, 2019, totaled \$57,995. Board review for prevailing rates takes place each year at the last regularly scheduled board meeting of the year.