

# **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2019**

# NATIONAL ABORTION FEDERATION

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**CPAs & ADVISORS**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
National Abortion Federation  
Washington, D.C.

We have audited the accompanying financial statements of the National Abortion Federation (NAF), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, 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.

### **Auditor's 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.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAF as of December 31, 2019, and the change 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.

*Gelman Rosenberg & Freedman*

September 29, 2020

**NATIONAL ABORTION FEDERATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 4,105,140
Accounts and dues receivable	60,716
Grants receivable	435,000
Due from related parties	1,514,212
Prepaid expenses	<u>159,364</u>
Total current assets	<u>6,274,432</u>

**FIXED ASSETS**

Furniture, fixtures and equipment	309,605
Leasehold improvements	<u>401,943</u>
	711,548
Less: Accumulated depreciation and amortization	<u>(303,913)</u>
Net fixed assets	<u>407,635</u>

**OTHER NON-CURRENT ASSETS**

Other asset	5,000
Deferred compensation investments	<u>391,533</u>
Total other non-current assets	<u>396,533</u>

**TOTAL ASSETS** \$ 7,078,600

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 326,134
Deferred rent, current portion	12,760
Deferred improvement allowance, current portion	<u>43,145</u>
Total current liabilities	<u>382,039</u>

**LONG-TERM LIABILITIES**

Deferred compensation	391,533
Deferred rent, net of current portion	329,419
Deferred improvement allowance, net of current portion	<u>280,444</u>
Total long-term liabilities	<u>1,001,396</u>
Total liabilities	<u>1,383,435</u>

**NET ASSETS**

Without donor restrictions	2,519,345
With donor restrictions	<u>3,175,820</u>
Total net assets	<u>5,695,165</u>

**TOTAL LIABILITIES AND NET ASSETS** \$ 7,078,600

## NATIONAL ABORTION FEDERATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE</b>			
Grants and contributions	\$ 369,588	\$ 5,388,409	\$ 5,757,997
Investment income	46,145	-	92,290
Membership dues	566,836	-	566,836
Meeting revenue	610,548	-	610,548
Group purchasing fees	43,510	-	43,510
In-kind contributions	1,557,896	-	1,557,896
Other revenue	90,834	-	90,834
Net assets released from donor restrictions	<u>6,241,539</u>	<u>(6,241,539)</u>	<u>-</u>
Total revenue	<u>9,526,896</u>	<u>(853,130)</u>	<u>8,673,766</u>
<b>EXPENSES</b>			
Program Services:			
Membership Services	3,045,091	-	3,045,091
Training and Professional Education	1,123,169	-	1,123,169
Public Affairs, Government Relations and Legal	3,092,072	-	3,092,072
Clinic Security and Law Enforcement Education	463,404	-	463,404
Access Initiative	62,999	-	62,999
Canadian Program	<u>139,254</u>	<u>-</u>	<u>139,254</u>
Total program services	<u>7,925,989</u>	<u>-</u>	<u>7,925,989</u>
Supporting Services:			
Management and General	1,481,148	-	1,481,148
Fundraising	<u>132,113</u>	<u>-</u>	<u>132,113</u>
Total supporting services	<u>1,613,261</u>	<u>-</u>	<u>1,613,261</u>
Total expenses	<u>9,539,250</u>	<u>-</u>	<u>9,539,250</u>
<b>OTHER ITEMS</b>			
Cancellation of uncollectible receivables	-	(272,039)	(272,039)
Return of unspent grants to donor	<u>-</u>	<u>(424,405)</u>	<u>(424,405)</u>
Total other items	<u>-</u>	<u>(696,444)</u>	<u>(696,444)</u>
Change in net assets	(12,354)	(1,549,574)	(1,561,928)
Net assets at beginning of year	<u>2,531,699</u>	<u>4,725,394</u>	<u>7,257,093</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 2,519,345</u></b>	<b><u>\$ 3,175,820</u></b>	<b><u>\$ 5,695,165</u></b>

**NATIONAL ABORTION FEDERATION**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Program Services</b>			
	<b>Membership Services</b>	<b>Training and Professional Education</b>	<b>Public Affairs, Government Relations and Legal</b>	<b>Clinic Security and Law Enforcement Education</b>
Salaries	\$ 1,577,194	\$ 229,906	\$ 332,943	\$ 232,052
Benefits	232,789	33,362	49,867	34,149
Consultants	354,617	176,474	26,371	96,714
Legal	-	-	1,558,694	-
Accounting	-	-	-	-
Rent	207,343	12,472	18,061	12,588
Office supplies and expenses	41,685	3,849	4,991	3,412
Insurance	8,656	1,031	1,493	1,041
Postage and delivery	14,055	6,122	1,926	717
Telephone	12,780	1,152	557	2,359
Internet charges	40,050	39,019	25,017	1,670
Publications/Dues/Subscriptions	36,127	6,609	8,861	1,220
Printing and duplicating	5,530	8,666	189	132
Sponsorships/Contributions	31	4	257	5
Equipment	24,353	4,609	6	4
Storage	2,310	337	488	340
Bank charges and conversion fees	25	-	59	-
Equipment maintenance and leases	23,894	1,792	2,595	1,704
Advertising	662	662	-	-
Travel	373,384	72,809	49,798	68,942
Meetings and conferences	53,754	517,382	2,384	1,038
Depreciation and amortization	35,600	5,189	7,515	5,238
Fiscal sponsorship	-	-	1,000,000	-
Miscellaneous	252	1,723	-	79
<b>TOTAL</b>	<b>\$ 3,045,091</b>	<b>\$ 1,123,169</b>	<b>\$ 3,092,072</b>	<b>\$ 463,404</b>

<b>Supporting Services</b>						
<b>Access Initiative</b>	<b>Canadian Program</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>
\$ 32,586	\$ 85,244	\$ 2,489,925	\$ 1,022,453	\$ 67,763	\$1,090,216	\$ 3,580,141
4,742	3,077	357,986	149,472	10,348	159,820	517,806
2,216	5,796	662,188	69,521	17,276	86,797	748,985
-	-	1,558,694	6,441	8,679	15,120	1,573,814
-	-	-	48,675	-	48,675	48,675
1,768	4,624	256,856	55,465	3,676	59,141	315,997
524	2,599	57,060	10,630	780	11,410	68,470
146	382	12,749	4,586	304	4,890	17,639
345	277	23,442	3,156	1,223	4,379	27,821
55	1,122	18,025	1,711	113	1,824	19,849
261	172	106,189	2,061	1,328	3,389	109,578
170	444	53,431	5,329	9,159	14,488	67,919
144	48	14,709	581	1,939	2,520	17,229
1	2	300	20	1	21	321
1	1	28,974	18	1	19	28,993
48	125	3,648	1,497	99	1,596	5,244
-	-	84	43,918	-	43,918	44,002
239	619	30,843	7,426	492	7,918	38,761
-	-	1,324	-	30	30	1,354
17,250	18,573	600,756	20,601	5,881	26,482	627,238
1,767	552	576,877	4,573	303	4,876	581,753
736	1,924	56,202	23,078	1,530	24,608	80,810
-	-	1,000,000	-	-	-	1,000,000
-	13,673	15,727	(64)	1,188	1,124	16,851
<b>\$ 62,999</b>	<b>\$ 139,254</b>	<b>\$ 7,925,989</b>	<b>\$ 1,481,148</b>	<b>\$ 132,113</b>	<b>\$1,613,261</b>	<b>\$ 9,539,250</b>



**NATIONAL ABORTION FEDERATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (1,561,928)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	80,810
Realized loss from sale of contributed securities	12,445
Receipt of contributed securities and other assets	(3,875,277)
Proceeds from the sale of contributed securities	3,862,832
Decrease (increase) in:	
Accounts and dues receivable	2,793
Grants receivable	(162,961)
Due from related parties	(1,402,341)
Prepaid expenses	(129,528)
Increase (decrease) in:	
Accounts payable and accrued expenses	46,657
Deferred membership dues	(5,100)
Deferred rent	(4,201)
Deferred improvement allowance	<u>(43,145)</u>
Net cash used by operating activities	<u>(3,178,944)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of fixed assets	<u>(75,687)</u>
Net cash decrease by investing activities	<u>(75,687)</u>
Net decrease in cash and cash equivalents	(3,254,631)
Cash and cash equivalents at beginning of year	<u>7,359,771</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 4,105,140</u></b>

# NATIONAL ABORTION FEDERATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

#### Organization -

The National Abortion Federation (NAF) is a non-profit organization, incorporated in 1977 in the State of Missouri. The purpose of NAF is to provide a national membership organization for abortion providers and to collect and disseminate related information to the general public. The primary sources of revenue for NAF are grants and contributions, membership dues and conferences.

#### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions".
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

#### New accounting pronouncements adopted -

During 2019, NAF adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. NAF adopted the ASU using a modified prospective basis.

#### Cash and cash equivalents -

NAF considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, NAF maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

## NATIONAL ABORTION FEDERATION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Accounts, dues and grants receivable -

Accounts, dues and grants receivable are recorded at their net realizable value, which approximates fair value. All accounts, dues and grants receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

##### Fixed assets -

Fixed assets in excess of \$1,200 are capitalized and stated at cost. Depreciation is computed on the straight-line method over the estimated service lives of the respective assets.

Expenditures for major repairs and improvements are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed when incurred. Leasehold improvements are amortized over the remaining life of the lease.

##### Deferred rent -

Deferred rent is recorded and amortized to the extent that the total minimum rental payments allocated to the current period on a straight-line basis exceed or are less than the cash payments required.

##### Revenue recognition -

Contributions and grants are recognized in the appropriate category of net assets in the period received. NAF performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal.

For contributions and grants and contracts qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants and contracts qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grant and contract agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, NAF recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met.

**NATIONAL ABORTION FEDERATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Revenue recognition (continued) -

The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements. Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

Gifts, including unconditional pledges, and grants are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

Membership dues includes general member benefits that are a series of distinct obligations. The revenue is recognized ratably over the membership period. There are several benefits received that are individual distinct obligations such as discounted rates to conferences and meetings; however, they are immaterial in nature to the contract and thus are included with the general member benefits.

Revenue received for meetings is recorded as revenue when the related event has occurred. The transaction price is determined based on cost and/or sales price. Revenue received in advance for conference and meetings are recorded as deferred revenue within the Statement of Financial Position.

Income taxes -

NAF is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. NAF is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2019, NAF has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Compensated absences -

Employees of NAF are entitled to paid vacation depending on the job classification and length of service. NAF's policy is to accrue these costs. These costs are included in accounts payable and accrued expenses in the accompanying financial statements.

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 and Change in Net Assets. Accordingly, costs have been allocated among the programs and supporting services benefited based on specific identification or estimates of costs incurred.

## NATIONAL ABORTION FEDERATION

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Functional allocation of expenses (continued) -

Expenses directly attributed to a specific functional area of NAF are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

##### Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### In-kind contributions -

NAF recognizes revenue and expenses from donated materials and donated legal services received. The amount reported is based on the estimated fair value of materials or professional attorney services rendered. The amount of pro bono services or donated materials recorded as in-kind contributions and expense was \$1,557,896 for the year ended December 31, 2019, and benefit the Public Affairs, Government Relations and Legal Program.

Most of the pro bono services were to represent NAF as the plaintiff in complex civil litigation regarding the material breach of contracts and non-disclosure agreements. NAF's lawsuit has resulted in a temporary restraining order and a preliminary injunction, both entered in NAF's favor, and an admission of fraudulent activity by the defendants. NAF will continue to pursue this litigation in 2020.

##### New accounting pronouncement not yet adopted -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

NAF plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

#### 2. RELATED PARTY TRANSACTIONS

NAF has the following related parties:

##### NAF Canada -

In 2007, the National Abortion Federation Canada (NAF Canada) was incorporated as a Canadian non-profit corporation. Until October 2014, three of the members of the Board of Directors of NAF served on NAF Canada's Board of Directors.

**NATIONAL ABORTION FEDERATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**2. RELATED PARTY TRANSACTIONS (Continued)**

NAF Canada (continued) -

Starting in October 2014, the two Boards share only one member. NAF's President and CEO serves as the President and CEO of both organizations. NAF Canada was incorporated to promote reproductive health among Canadian women. NAF Canada received charitable status in January 2009. NAF Canada is not included in the accompanying financial statements because it is not controlled by NAF.

During 2019, NAF Canada collected 403b contributions on behalf of NAF. For the year ended December 31, 2019 the net balance due from NAF Canada totaled \$3,090.

NAF Hotline Fund -

The NAF Hotline Fund (HLF) is a supporting organization to NAF. The Chair of the Board of Directors of NAF currently serves as the Chair of HLF's Board of Directors, and NAF's President and CEO serves as the President and CEO of both organizations. Because HLF has a separate Board of Directors, HLF issues a separate financial statement because there is no common or economical control.

NAF shares office space, personnel, and other resources with HLF and, as a result, NAF incurs costs on behalf of HLF. These costs are subsequently reimbursed by HLF. Costs are allocated between the two organizations based on actual expenses or a percentage of salaries.

During 2019, NAF incurred expenses of \$711,087 for program activities of HLF. For the year ended December 31, 2019, HLF owed NAF \$1,619,955.

During 2019, NAF collected contributions and refunded pledges on behalf of HLF. For the year ended December 31, 2019, the balance due to HLF totaled \$102,653. The net due from HLF totaled \$1,517,302.

**3. LEASE COMMITMENTS**

In 2016, NAF entered into an eleven year agreement to lease new office space which commenced July 1, 2016. Base rent will be shared between NAF and the NAF Hotline Fund (HLF) per annum. The lease includes escalation clauses and twelve months of abated rent in the the first year of the lease. Additionally, the landlord provided for certain leasehold improvement allowances at no cost to NAF and HLF. The landlord provided allowances totaling \$949,194 (including certain equipment and furniture allowances), of which 50% of the total has been recorded by NAF as an asset (leasehold improvements) and liability (deferred improvement allowance) in the accompanying Statement of Financial Position, and will be amortized over the life of the related lease. The remaining 50% has been included on HLF's financial statements. NAF obtained an irrevocable letter of credit with Wells Fargo in the amount of \$107,262 in lieu of the security deposit.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as deferred rent liability in the Statement of Financial Position. The deferred rent liability as of December 31, 2019 was \$342,179.

**NATIONAL ABORTION FEDERATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**3. LEASE COMMITMENTS (Continued)**

Future minimum rental payments under this lease are as follows:

**Year Ending December 31,**

2020		\$ 701,717
2021		722,999
2022		744,813
2023		763,433
2024		782,519
Thereafter		<u>2,040,358</u>
		<b><u>\$ 5,755,839</u></b>

Total rent expense at December 31, 2019, including amounts allocated to HLF, was \$630,408. Rent expense allocated to NAF totaled \$315,997 for the year ended December 31, 2019.

**4. RETIREMENT PLAN**

NAF maintains a defined contributory, tax-deferred annuity plan. Participation in this plan is optional for all employees. After one year of employment, NAF will contribute four to seven percent of the employee's salary, depending on the length of service of each employee. During 2019, NAF contributed \$114,657 to the Plan.

The Board of Directors authorized the creation of a deferred compensation plan under Section 457 of the Internal Revenue Code for certain senior level employees. The corresponding asset and liability are reflected in the accompanying Statement of Financial Position. The investments consisted primarily of mutual funds. During 2019, NAF did not contribute to the Plan. The balance at December 31, 2019 was \$391,533.

The deferred compensation investment assets are subject to FASB ASC 820, *Fair Value Measurement*, which requires NAF to categorize its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market NAF has the ability to access. The deferred compensation investment assets are invested in Level 1 vehicles as of December 31, 2019.

**NATIONAL ABORTION FEDERATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2019:

**Purpose Restricted:**

Membership Services	\$ 995,740
Training and Professional Education	512,775
Clinic Security and Law Enforcement Education	160,000
Access Initiative	77,277

**Time Restricted:**

General Support	<u>1,430,028</u>
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**NET ASSETS WITH DONOR RESTRICTIONS** **\$ 3,175,820**

**6. NET ASSETS RELEASED FROM RESTRICTIONS**

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors at December 31, 2019:

**Purpose Restricted:**

Training and Professional Education	\$ 282,324
Membership Services	2,257,679
Clinic Security and Law Enforcement Education	90,000
Access Initiative	8,136
Fiscal Sponsorship	1,000,000

**Time Restricted:**

Passage of Time	<u>2,603,400</u>
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**NET ASSETS RELEASED FROM RESTRICTIONS** **\$ 6,241,539**

**7. LIQUIDITY**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 4,105,140
Accounts and dues receivable	60,716
Grants receivable	435,000
Due from related parties	<u>1,514,212</u>
Subtotal financial assets available within one year	6,115,068
Less: Donor restricted funds	<u>(1,801,521)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS**  
**FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 4,313,547**



**NATIONAL ABORTION FEDERATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**7. LIQUIDITY (Continued)**

NAF has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019, NAF has financial assets equal to approximately seven months of average annual expenses.

**8. RETURN OF UNSPENT GRANTS TO DONOR AND CANCELLATION OF UNCOLLECTIBLE RECEIVABLES**

During 2019, NAF determined it was good practice to notify a donor of certain unspent grant funds, and accordingly, these funds were returned for revenue that was recorded in 2018. While the grant terms did not have a right of return for the funds, NAF made the determination it was appropriate for the 2019 year.

Additionally, during 2019 NAF determined that certain previously recorded receivables were deemed uncollectible, and wrote off the balances accordingly.

**9. SUBSEQUENT EVENTS**

In preparing these financial statements, NAF has evaluated events and transactions for potential recognition or disclosure through September 29, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact NAF's operations. The impact on NAF's calendar year 2020 financial activities cannot be assessed as of the date of our audit report, September 29, 2020, as there exists a significant uncertainty about the future impact of COVID-19 on the global economy during this ongoing pandemic situation.

NAF has entered into contracts with hotels for conference space for events scheduled to take place 2020. Due to the COVID-19 global pandemic, these events have been postponed indefinitely. NAF renegotiated the related hotel contracts without incurring associated cancellation penalties.