



# NARAL Pro-Choice America Foundation

## Financial Statements Years Ended September 30, 2022 and 2021

# **NARAL Pro-Choice America Foundation**

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Financial Statements  
Years Ended September 30, 2022 and 2021

# NARAL Pro-Choice America Foundation

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## **Independent Auditor's Report**

Board of Directors  
NARAL Pro-Choice America Foundation  
Washington, DC

### ***Opinion***

We have audited the financial statements of NARAL Pro-Choice America Foundation (the Foundation), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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



### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

*BDO USA, LLP*

March 7, 2023

## Financial Statements

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# NARAL Pro-Choice America Foundation

## Statements of Financial Position

<i>September 30,</i>	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,653,573	\$ 971,433
Grants receivable, current portion	725,000	200,000
Accounts receivable	1,025,850	32,883
Prepaid expenses	1,501	29,120
Deposits	5,606	5,606
<b>Total current assets</b>	<b>8,411,530</b>	<b>1,239,042</b>
<b>Noncurrent assets</b>		
Investments	11,330,871	13,134,516
<b>Total noncurrent assets</b>	<b>11,330,871</b>	<b>13,134,516</b>
<b>Total assets</b>	<b>\$ 19,742,401</b>	<b>\$ 14,373,558</b>
<b>Liabilities and net assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,799,690	\$ 775,258
Note payable	-	936,350
Obligations under split-interest agreements	158,513	81,816
<b>Total liabilities</b>	<b>1,958,203</b>	<b>1,793,424</b>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restriction	7,900,554	2,236,030
With donor restrictions	9,883,644	10,344,104
<b>Total net assets</b>	<b>17,784,198</b>	<b>12,580,134</b>
<b>Total liabilities and net assets</b>	<b>\$ 19,742,401</b>	<b>\$ 14,373,558</b>

*See accompanying notes to financial statements.*

# NARAL Pro-Choice America Foundation

## Statement of Activities

<i>Year ended September 30, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Grants	\$ 2,856,307	\$ 4,428,000	\$ 7,284,307
Major gifts	8,876,184	150,000	9,026,184
Other contributions	2,800,261	-	2,800,261
Special events revenue:			
Gross revenue	1,684,130	-	1,684,130
Direct benefit to donors	-	-	-
Bequests	607,679	-	607,679
In-kind contributions	265,383	-	265,383
Investment return, net	(303,266)	(1,615,729)	(1,918,995)
Other revenue	936,350	-	936,350
<b>Release from restrictions:</b>			
Satisfaction of time restrictions	1,035,000	(1,035,000)	-
Satisfaction of program restrictions	2,387,731	(2,387,731)	-
<b>Total revenue and support</b>	<b>21,145,759</b>	<b>(460,460)</b>	<b>20,685,299</b>
<b>Expenses</b>			
Program services:			
Advocacy and organizing	10,595,118	-	10,595,118
Government relations	1,255,058	-	1,255,058
Communications	791,060	-	791,060
<b>Total program services</b>	<b>12,641,236</b>	<b>-</b>	<b>12,641,236</b>
Supporting services:			
Fundraising	1,700,715	-	1,700,715
Management and general	1,139,284	-	1,139,284
<b>Total supporting services</b>	<b>2,839,999</b>	<b>-</b>	<b>2,839,999</b>
<b>Total expenses</b>	<b>15,481,235</b>	<b>-</b>	<b>15,481,235</b>
<b>Change in net assets</b>	<b>5,664,524</b>	<b>(460,460)</b>	<b>5,204,064</b>
<b>Net assets, beginning of year</b>	<b>2,236,030</b>	<b>10,344,104</b>	<b>12,580,134</b>
<b>Net assets, end of year</b>	<b>\$ 7,900,554</b>	<b>\$ 9,883,644</b>	<b>\$ 17,784,198</b>

*See accompanying notes to financial statements.*



# NARAL Pro-Choice America Foundation

## Statement of Activities

<i>Year ended September 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Grants	\$ 983,650	\$ 751,000	\$ 1,734,650
Major gifts	2,933,966	10,000,000	12,933,966
Other contributions	835,483	-	835,483
Special events revenue:			
Gross revenue	1,669,157	-	1,669,157
Direct benefit to donors	-	-	-
Bequests	13,514	-	13,514
In-kind contributions	334,004	-	334,004
Investment return, net	701,413	(35,801)	665,612
<b>Release from restrictions:</b>			
Satisfaction of time restrictions	2,025,000	(2,025,000)	-
Satisfaction of program restrictions	419,345	(419,345)	-
<b>Total revenue and support</b>	<b>9,915,532</b>	<b>8,270,854</b>	<b>18,186,386</b>
<b>Expenses</b>			
Program services:			
Advocacy and organizing	6,347,589	-	6,347,589
Government relations	1,332,522	-	1,332,522
Communications	967,051	-	967,051
<b>Total program services</b>	<b>8,647,162</b>	<b>-</b>	<b>8,647,162</b>
Supporting services:			
Fundraising	1,520,256	-	1,520,256
Management and general	719,828	-	719,828
<b>Total supporting services</b>	<b>2,240,084</b>	<b>-</b>	<b>2,240,084</b>
<b>Total expenses</b>	<b>10,887,246</b>	<b>-</b>	<b>10,887,246</b>
<b>Change in net assets</b>	<b>(971,714)</b>	<b>8,270,854</b>	<b>7,299,140</b>
<b>Net assets, beginning of year</b>	<b>3,207,744</b>	<b>2,073,250</b>	<b>5,280,994</b>
<b>Net assets, end of year</b>	<b>\$ 2,236,030</b>	<b>\$ 10,344,104</b>	<b>\$ 12,580,134</b>

*See accompanying notes to financial statements.*

# NARAL Pro-Choice America Foundation

## Statement of Functional Expenses

Year ended September 30, 2022	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Advocacy and Organizing	Government Relations	Communications		Fundraising	Management and General		
<b>Personnel costs:</b>								
Salaries	\$ 2,316,548	\$ 365,384	\$ 428,654	\$ 3,110,586	\$ 890,236	\$ 557,170	\$ 1,447,406	\$ 4,557,992
Employee benefits and taxes	405,679	71,311	71,551	548,541	174,464	65,677	240,141	788,682
<b>Total personnel costs</b>	<b>2,722,227</b>	<b>436,695</b>	<b>500,205</b>	<b>3,659,127</b>	<b>1,064,700</b>	<b>622,847</b>	<b>1,687,547</b>	<b>5,346,674</b>
Professional fees and contract services	3,860,159	714,550	179,419	4,754,128	98,293	249,228	347,521	5,101,649
Media and outreach	1,803,238	3,227	-	1,806,465	102,224	52,287	154,511	1,960,976
Sponsorships, grants, donations, and honoraria	1,033,823	20,098	23,439	1,077,360	47,666	30,204	77,870	1,155,230
Databases, subscriptions, and program expenses	626,124	12,743	13,184	652,051	77,983	11,387	89,370	741,421
Office occupancy	319,327	46,476	54,203	420,006	122,983	69,702	192,685	612,691
Conferences, dues, external events, and travel	98,219	5,602	2,046	105,867	18,851	72,117	90,968	196,835
Supplies, equipment rental and postage	52,571	6,343	7,026	65,940	40,251	12,611	52,862	118,802
NARAL Foundation events	14,488	-	-	14,488	61,080	-	61,080	75,568
Telecommunications	35,984	4,434	5,835	46,253	11,164	4,934	16,098	62,351
Insurance	28,784	4,861	5,669	39,314	11,529	7,290	18,819	58,133
Bank fees	174	29	34	237	43,991	6,677	50,668	50,905
<b>Total expenses</b>	<b>\$ 10,595,118</b>	<b>\$ 1,255,058</b>	<b>\$ 791,060</b>	<b>\$ 12,641,236</b>	<b>\$ 1,700,715</b>	<b>\$ 1,139,284</b>	<b>\$ 2,839,999</b>	<b>\$ 15,481,235</b>

*See accompanying notes to financial statements.*

# NARAL Pro-Choice America Foundation

## Statement of Functional Expenses

<i>Year ended September 30, 2021</i>	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Advocacy and Organizing	Government Relations	Communications		Fundraising	Management and General		
<b>Personnel costs:</b>								
Salaries	\$ 2,101,362	\$ 357,818	\$ 475,010	\$ 2,934,190	\$ 749,044	\$ 382,656	\$ 1,131,700	\$ 4,065,890
Employee benefits and taxes	545,882	76,960	84,894	707,736	164,608	44,801	209,409	917,145
<b>Total personnel costs</b>	<b>2,647,244</b>	<b>434,778</b>	<b>559,904</b>	<b>3,641,926</b>	<b>913,652</b>	<b>427,457</b>	<b>1,341,109</b>	<b>4,983,035</b>
Professional fees and contract services	1,424,114	804,429	324,733	2,553,276	179,964	162,884	342,848	2,896,124
Media and outreach	696,801	11,724	-	708,525	93,797	7,157	100,954	809,479
Sponsorships, grants, donations, and honoraria	578,060	1,752	2,363	582,175	3,702	6,257	9,959	592,134
Databases, subscriptions, and program expenses	544,173	16,603	4,503	565,279	86,859	4,447	91,306	656,585
Office occupancy	302,285	41,216	55,575	399,076	94,732	44,895	139,627	538,703
Conferences, dues, external events, and travel	48,992	6,516	1,017	56,525	1,765	49,246	51,011	107,536
Supplies, equipment rental and postage	35,062	6,504	6,502	48,068	42,237	7,099	49,336	97,404
NARAL Foundation events	53	-	-	53	43,121	50	43,171	43,224
Telecommunications	50,504	5,531	7,777	63,812	12,748	3,582	16,330	80,142
Insurance	20,301	3,469	4,677	28,447	7,328	3,778	11,106	39,553
Bank fees	-	-	-	-	40,351	2,976	43,327	43,327
<b>Total expenses</b>	<b>\$ 6,347,589</b>	<b>\$ 1,332,522</b>	<b>\$ 967,051</b>	<b>\$ 8,647,162</b>	<b>\$ 1,520,256</b>	<b>\$ 719,828</b>	<b>\$ 2,240,084</b>	<b>\$ 10,887,246</b>

*See accompanying notes to financial statements.*

# NARAL Pro-Choice America Foundation

## Statements of Cash Flows

<i>Years ended September 30,</i>	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 5,204,064	\$ 7,299,140
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Net depreciation (appreciation) of fair value of investments	2,029,652	(613,014)
Gain on forgiveness of PPP loan	(936,350)	-
Decrease (increase) in assets:		
Grants and accounts receivable	(1,517,967)	788,727
Prepaid expenses	27,619	(29,120)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	1,024,432	(23,907)
Obligations under split-interest agreements	76,697	(12,850)
Net cash provided by operating activities	<b>5,908,147</b>	<b>7,408,976</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	6,258,010	1,545,497
Purchases of investments	(6,484,017)	(10,326,553)
Net cash used in investing activities	<b>(226,007)</b>	<b>(8,781,056)</b>
Increase (decrease) in cash and cash equivalents	<b>5,682,140</b>	<b>(1,372,080)</b>
Cash and cash equivalents, beginning of year	<b>971,433</b>	<b>2,343,513</b>
Cash and cash equivalents, end of year	<b>\$ 6,653,573</b>	<b>\$ 971,433</b>
<b>Supplemental information:</b>		
Non-cash transaction arising from:		
Gain on forgiveness of PPP loan	\$ 936,350	\$ -

*See accompanying notes to financial statements.*

# NARAL Pro-Choice America Foundation

## Notes to Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies

#### Organization

NARAL Pro-Choice America Foundation (the Foundation) is a District of Columbia non-profit organization. The primary purpose of the Foundation is to operate for the benefit of, and to perform the educational and charitable functions of NARAL Pro-Choice America (NARAL). The Foundation performs in-depth research and legal work, publishes substantive policy reports, mounts public education campaigns and provides leadership training for grassroots activists across the nation. These activities are funded primarily through grants and contributions from private foundations, corporations and individuals.

#### Basis of Accounting

The Foundation's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

#### Basis of Presentation

The net assets of the Foundation are classified and reported in two classes: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are created only by contribution with donor-imposed restrictions on their use. Under these provisions, net assets, revenues, gains and losses are classified based on the existence or absence of contributions with donor-imposed restrictions.

Accordingly, net assets are classified and reported as follows:

#### *Net assets without donor restrictions*

Net assets without donor restrictions are not subject to donor-imposed restrictions. These net assets generally result from providing services and receiving contributions without donor restrictions.

#### *Net assets with donor restrictions*

Net assets with donor restrictions are subject to stipulations imposed by donors. These net assets generally result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use the income earned on related investments for general or specific purposes.

When a donor restriction expires as a result of a stipulated time restriction ending or purpose restriction being accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and change in net assets as net assets released from restrictions.

# NARAL Pro-Choice America Foundation

## Notes to Financial Statements

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### Cash and Cash Equivalents

The Foundation considers all money market accounts not held for long-term investment purposes and investments purchased with an original maturity of three months or less to be cash equivalents. Cash held by the investment managers is reported with investments.

### Grants Receivable

Grants are recognized as revenue and grants receivable in the period the grants are made. Grants that are expected to be collected within one year are recorded at their net realizable value. Grants that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates commensurate with the risk involved applicable to the years in which grants are received. Amortization of the discounts is included in grants revenue. Management considers all grants receivable to be fully collectible, therefore, no allowance for uncollectible grants has been established.

### Accounts Receivable

Receivables are carried at original invoice amounts less an estimate for doubtful receivables based on an annual review of all outstanding items. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to aging of accounts. Receivables are written off when deemed uncollectible.

### Investments

Investments are reported at fair value based on quoted market prices and include money market funds held for long-term investment purposes, equities, and fixed income securities. Dividends and interest are reflected as income when earned. Net realized and unrealized gains and losses on investments are reflected in the statements of activities. Donated investments are recorded in the financial statements at fair value on the date of donation.

### Obligations under Split-Interest Agreements

The Foundation is the trustee of certain assets held under split-interest agreements which provide for payments to the donors or their beneficiaries of income earned on related investments or specified annuity amounts. Assets held under these agreements are included in investments. Contribution revenues are recognized at the dates of the agreements after providing for the present value of estimated future payments to be made to the donors and/or their beneficiaries. The liabilities are adjusted during the terms of the agreements for accretion of the discount, payments made, and other changes in estimates.

### In-kind Contributions

The Foundation receives pro bono legal and other services from various sources that meet the criteria for in-kind revenue recognition. The estimated fair value of the benefit and related cost of these services is recorded as revenue and expense in the year received. For the years ended September 30, 2022 and 2021, the Foundation received \$265,383 and \$334,004, respectively, in pro-bono legal services for judicial nomination research. The valuation is provided by the legal firm providing the pro-bono services.

# NARAL Pro-Choice America Foundation

## Notes to Financial Statements

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### Revenue Recognition

#### *Contributions*

Contributions and grants, including unconditional promises to give, are recognized as revenue in the period they are received or pledged. The Foundation records contributions with donor restrictions if funds are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions.

Conditional contributions with measurable performance or other barrier and right of return, are recognized as revenue when the conditions on which they depend have been substantially met. Expenses incurred in excess of cash received as shown as contribution receivable and cash received in excess of expenses incurred are shown as refundable advances in the statements of financial position, if any.

#### *Special Events*

Revenue from special events is recognized when the event occurs. Expenses that directly benefit the donors are recorded as an offset to revenue in the year of the event while other special event expenses are recorded in fundraising in the statements of activities.

### Grants and Awards Expenses

The Foundation provides grants which are recorded as expenses when the grants are issued to the grantee. These commitments are considered to be unconditional grants.

#### *Grants to Affiliates*

The Foundation provides grants to affiliates. These grants are to further develop the pro-choice constituency at the local level. Affiliates apply for these grants through a request for proposal process. For the years ended September 30, 2022 and 2021, the Foundation has provided affiliates with grants totaling \$0 and \$550,000, respectively, which are included in the advocacy and organizing program services expense in the statements of activities.

### Functional Allocation of Expenses

Expenses are recognized during the period in which they are incurred. The costs of providing various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Expenses that can be specifically identified with a specific program or support service are charged directly to that activity. Management and general costs include the Finance, Human Resources and Board operations. Certain expenses, including occupancy, insurance and personnel have been allocated between program, management and general, and fundraising, based on the salaries directly attributable to those categories.

### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure

# NARAL Pro-Choice America Foundation

## Notes to Financial Statements

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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.

### Reclassifications

Certain amounts presented in the 2021 financial statements have been reclassified to conform to the 2022 presentations, with no effect on the change in net assets.

### Accounting Pronouncements Adopted

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The Foundation has adopted this amendment on October 1, 2021. This adoption of this update did not materially impact the Foundation's financial statements.

### Accounting Pronouncements Issued But Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This standard relates to leasing for both lessees and lessors. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This standard has been subsequently updated by ASUs 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, 2019-10 and 2020-05, the last of which deferred the effective date for private companies and certain not-for profit entities to fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of this ASU on the Foundation's financial statements.

## 2. Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has identified the Foundation as a qualifying charity and not a private foundation. Business income which is not related to the Foundation's exempt purpose, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation had no net unrelated business income for the years ended September 30, 2022 and 2021.

The Foundation follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest, and penalties on income taxes.



# NARAL Pro-Choice America Foundation

## Notes to Financial Statements

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Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. No provision for income taxes was required for 2022 and 2021. Generally, the Foundation is no longer subject to income tax examinations by federal, state or local tax authorities for years before 2019.

### 3. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk include cash deposits and investments held at creditworthy financial institutions. The Foundation's cash management policies limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Cash deposits may, however, exceed the FDIC insurable limits throughout the year. The investments are kept within limits designed to prevent risks caused by concentration. The Foundation believes it is not exposed to any significant financial risk on cash and cash equivalents and investments.

### 4. Liquidity and Availability of Resources

Financial assets available for general expenditures, that is, without donor or other restriction limiting their use, within one year of the statement of financial position date consist of the following at:

<i>September 30,</i>	<b>2022</b>	<b>2021</b>
Financial assets at year-end:		
Cash and cash equivalents	\$ 6,653,573	\$ 971,433
Grants receivable, net	725,000	200,000
Account receivable	1,025,850	32,883
Investments	11,330,871	13,134,516
Total financial assets available within one year	19,735,294	14,338,832
Less: Amounts not available for general expenditures within one year, due to:		
Net assets with donor restrictions	(9,883,644)	(10,344,104)
Investments related to charitable gift annuities	(370,186)	(471,829)
Financial assets available to meet cash needs for general expenditures within one year	\$ 9,481,464	\$ 3,522,899

The Foundation maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity plan, excess cash is invested in short-term investments including money market accounts.

# NARAL Pro-Choice America Foundation

## Notes to Financial Statements

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### 5. Investments

The *Fair Value Measurements* topic of the FASB Accounting Standards Codification establishes 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 are described below:

**Level 1:** Valuation based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, assets or liabilities.

**Level 2:** Valuation based on quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

**Level 3:** Valuations based on inputs that require inputs that are both significant to the fair value measurement and unobservable.

The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy:

*Equities* - Comprised of corporate stock and mutual funds listed on the national market or exchanges which are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

*Fixed income* - Comprised of corporate bonds which are valued based on market quotations or by independent pricing services. Such securities are classified within Level 1 of the valuation hierarchy.

As of September 30, 2022 and 2021, the Foundation's investments, including split-interest agreement assets, consisted of the following fair market values:

	2022			
	Total	Level 1	Level 2	Level 3
Cash and money market	\$ 3,391,047	\$ 3,391,047	\$ -	-
Fixed income	2,059,102	2,059,102	-	-
Equities	5,880,722	5,880,722	-	-
Total	\$ 11,330,871	\$ 11,330,871	\$ -	-

# NARAL Pro-Choice America Foundation

## Notes to Financial Statements

	2021			
	Total	Level 1	Level 2	Level 3
Cash and money market	\$ 8,807,233	\$ 8,807,233	\$ -	-
Equities	4,327,283	4,327,283	-	-
<b>Total</b>	<b>\$ 13,134,516</b>	<b>\$ 13,134,516</b>	<b>\$ -</b>	<b>-</b>

As of September 30, 2022 and 2021, investments held in designated accounts for the split-interest agreements totaled \$370,186 and \$471,829, respectively.

### 6. Related Party Transactions

NARAL Pro-Choice America (NARAL), an organization exempt from income tax under Section 501(c)(4) of the Internal Revenue Code, shares its premises and all personnel with the Foundation. Costs are allocated between the organizations based on actual expenses incurred or on a percentage of salaries as described in the shared services agreement between the Foundation and NARAL Pro-Choice America.

In addition, the Foundation has a contract with NARAL for lobbying services. The amount of lobbying services performed by NARAL on behalf of the Foundation totaled \$430,000 for the years ended September 30, 2022 and 2021, and is included in the advocacy and organizing program services expense in the statements of activities.

As of September 30, 2022 and 2021, amount due to NARAL Pro-Choice America was \$1,311,296 and \$334,183, respectively, is included in the accounts payable and accrued liabilities in the statements of financial position.

On September 1, 2016, NARAL entered into a loan agreement with Truist Bank, formerly Branch Banking and Trust Company, (the Bank) with a principal amount of \$1,200,000 at a fixed interest rate of 3.20%. The loan is secured by a blanket lien on business assets owned by NARAL. Outstanding principal on the loan as of September 30, 2022 and 2021 was \$0 and \$337,902, respectively. The loan is also guaranteed by the Foundation. The Foundation shall also grant, pledge or convey a collateral to the Bank in a form of a brokerage account owned by the Foundation which shall maintain a minimum balance equal to 133% of the loan balance. As of September 30, 2022 and 2021, the Foundation's brokerage account has cash and investment balances of \$1,885,976 and \$1,982,629 respectively. The cash and investment balances are included in the investments account in the statements of financial position. NARAL and the Foundation complied with the required loan covenants for the years ended September 30, 2022 and 2021. On October 18, 2021, NARAL entered into a line of credit agreement with the Bank with a credit line amount of \$1,200,000 at a variable interest rate. The new bank line of credit will mature on October 18, 2026. The line of credit is also guaranteed by the Foundation. On the same month, NARAL has drawn from the line of credit to pay in full the outstanding loan balance of \$337,902 as of September 30, 2021. As of September 30, 2022, NARAL has no outstanding balance in the line of credit.

# NARAL Pro-Choice America Foundation

## Notes to Financial Statements

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### 7. Note Payable

#### *Paycheck Protection Program Loan*

In May 2020, the Foundation received loan proceeds in the amount of \$936,350 from a financial institution under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan required monthly payments of principal and interest at 1.00% starting in December 2020 and due in May 2022. The CARES Act loan included a feature that allows for forgiveness of the loan if the funds are used for eligible purposes, including payroll and benefits, and if the Foundation maintains its payroll levels. The Foundation did apply for loan forgiveness of the full loan amount in accordance with Small Business Administration (SBA) guidelines pursuant to the CARES Act. The PPP loan was fully forgiven by the SBA on August 2022, and was recognized as other revenue in the statement of activities for the year ended September 30, 2022.

### 8. Description of Program and Supporting Services

The following program and supporting services are included in the accompanying statements of activities:

#### **Program Services:**

##### *Advocacy and Organizing*

Advocacy and organizing include program activities that work at the national and state level to effectively use grassroots power, communication strategies, and policy prowess to push government to protect and advance reproductive freedom and abortion access.

##### *Government Relations*

Government relations include program activities that work at both the national and state level together with the Foundation's affiliates to track proactive, pro-choice policy and anti-choice restrictions on reproductive health care throughout the United States.

##### *Communications*

Communications include activities related to crafting message guidance for the Foundation and the pro-choice movement including creating media coverage of reproductive health issues across all press platforms. These activities also include handling all press inquiries and performing extensive work educating media outlets and key reporters on policies affecting reproductive health care. These activities support the Foundation's work on state and federal legislation, policy initiatives, member engagement, and cultural organizing.

#### **Supporting Services:**

##### *Fundraising*

This supporting service category includes expenditures which provide the structure necessary to encourage and secure private financial support.

# NARAL Pro-Choice America Foundation

## Notes to Financial Statements

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### *Management and General*

This supporting service category includes the functions necessary to secure proper administrative functioning of the Foundation's governing board, maintain an adequate working environment, and manage financial responsibilities of the Foundation.

### **9. Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes at September 30, 2022 and 2021:

	2022	2021
<b>Subject to expenditure for specified purpose and time restrictions:</b>		
Purpose restrictions:		
Advocacy and organizing	\$ 1,035,000	\$ 179,905
Time restrictions	350,174	200,000
	<u>1,385,174</u>	<u>379,905</u>
<b>Subject to the Foundation's endowment spending policy:</b>		
Health education fund	8,498,470	9,964,199
<b>Total net assets with donor restrictions</b>	<b>\$ 9,883,644</b>	<b>\$ 10,344,104</b>

Net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes as specified by donors or for the passage of time.

<i>Years ended September 30,</i>	2022	2021
Purpose restrictions:		
Advocacy and organizing	\$ 2,387,731	\$ 419,345
Time restrictions	1,035,000	2,025,000
<b>Total net assets released from restrictions</b>	<b>\$ 3,422,731</b>	<b>\$ 2,444,345</b>

### ***Endowment***

The Foundation's endowment consists of a donor-restricted endowment fund established as the Health Education Fund for Reproductive Health Care. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. These guidelines are reviewed on an annual basis.

# NARAL Pro-Choice America Foundation

## Notes to Financial Statements

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### *Interpretation of Relevant Law*

The Foundation has interpreted the District of Columbia's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As a result, the Foundation will retain, in perpetuity the original value of the initial funds and subsequent gift amounts and any accumulations to the endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The Foundation will consider the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: the duration and preservation of the fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Foundation and the investment policy statement.

### *Return Objectives and Risk Parameters*

The Foundation's Finance Committee has developed the Statement of Investment Policies and Objectives for the Foundation's Portfolio (the "Portfolio"), which includes donor restricted endowment funds. This policy identifies an appropriate risk posture for the Portfolio, stated expectations and objectives for the Portfolio, and provides asset allocation guidelines and establishes criteria to monitor and evaluate performance results of the Portfolio's managers. The Finance Committee plans to approve the policy in 2023.

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate of return objectives, the Foundation relies on a strategy in which total investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation has a policy to appropriate for spending each year between 4% and 6% of its funds based on the average market value over the prior twelve quarters of the preceding fiscal year in which the spending is planned. The Foundation considers the long term expected return on its funds to grow its endowment at least at the rate of inflation. The draft spending policy is incorporated with the investment policy statement that will be approved by the Finance Committee in 2023.

### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or law requires the Foundation to retain for a perpetual duration. The Foundation has interpreted the law to permit spending from underwater endowments in accordance with prudent measures of the law. If there is a deficiency, it will be fully disclosed to include the fair value of the impacted endowment, the original gift amount and the aggregate of the amounts of underwater deficiencies. The Foundation will consider the above law in drafting the underwater endowment policy which is planned to be completed and approved by the Finance Committee in 2023.

# NARAL Pro-Choice America Foundation

## Notes to Financial Statements

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The Foundation's endowment fund within net assets with donor restrictions consist of the following at September 30, 2022 and 2021:

<i>September 30,</i>	<b>2022</b>	<b>2021</b>
Donor-restricted endowment fund:		
Original donor-restricted gift amount and maintained in perpetuity by donor	\$ 10,150,000	\$ 10,000,000
Accumulated investment losses	(1,651,530)	(35,801)
	<b>\$ 8,498,470</b>	<b>\$ 9,964,199</b>

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Changes in endowment net assets with donor restrictions for the years ended September 30, 2022 and 2021:

<i>Years ended September 30,</i>	<b>2022</b>	<b>2021</b>
Endowment net assets, beginning of year	\$ 9,964,199	\$ -
Contributions	150,000	10,000,000
Investment return, net	(1,615,729)	(35,801)
Appropriation of endowment assets for expenditure	-	-
Endowment net assets, end of year	<b>\$ 8,498,470</b>	<b>\$ 9,964,199</b>

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### 10. Subsequent Events

The Foundation evaluated subsequent events through March 7, 2023, which is the date the financial statements were available to be issued. There were no events noted that required adjustment to or disclosure in these financial statements.