

National Advocates for Pregnant Women

Financial Statements

December 31, 2017

Independent Auditors' Report

Board of Directors National Advocates for Pregnant Women

We have audited the accompanying financial statements of National Advocates for Pregnant Women ("NAPW"), which comprise the statement of financial position as of December 31, 2017 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 of 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 auditors' 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 National Advocates for Pregnant Women as of December 31, 2017 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.

Other Matters

Adjustments to Prior Period Financial Statements

The financial statements of NAPW as of December 31, 2016 were audited by other auditors whose report dated June 7, 2017 expressed an unmodified opinion on those statements. As discussed in Note 9, NAPW has restated its 2016 financial statements to correct an error in accounting for contributions in accordance with accounting principles generally accepted in the United States of America.

As part of our audit of the 2017 financial statements, we also audited the adjustment described in Note 9 that was applied to restate the 2016 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2016 financial statements of NAPW other than with respect to the adjustment and, accordingly, we do not express any opinion or any other form of assurance on the 2016 financial statements as a whole.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements (after the adjustment discussed above) from which it has been derived.

PKF O'Connor Davies, LLP

October 30, 2018

National Advocates for Pregnant Women

Statement of Financial Position
December 31, 2017
(with comparative amounts at December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 1,289,312	\$ 1,986,079
Contributions receivable	303,321	560,411
Prepaid expenses and other assets	66,938	24,132
Investments	3,337,697	1,754,517
Property and equipment, net	<u>26,098</u>	<u>26,422</u>
	<u>\$ 5,023,366</u>	<u>\$ 4,351,561</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 118,183	\$ 61,627
Accrued payroll and related liabilities	<u>14,732</u>	<u>14,658</u>
Total Liabilities	<u>132,915</u>	<u>76,285</u>
Net Assets		
Unrestricted	3,571,697	2,502,263
Temporarily restricted	<u>1,318,754</u>	<u>1,773,013</u>
Total Net Assets	<u>4,890,451</u>	<u>4,275,276</u>
	<u>\$ 5,023,366</u>	<u>\$ 4,351,561</u>

See notes to financial statements

National Advocates for Pregnant Women

Statements of Activities Year Ended December 31, 2017 (with summarized totals for the year ended December 31, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
REVENUE AND SUPPORT				
Foundation support	\$ 93,000	\$ 1,455,828	\$ 1,548,828	\$ 1,824,957
Contributions	302,312	-	302,312	230,482
Program service fees	1,175	-	1,175	62,500
Other support	31,247	-	31,247	19,114
In-kind contributions	-	-	-	17,128
Investment income	283,273	-	283,273	114,680
Net assets released from restrictions	1,910,087	(1,910,087)	-	-
Total Revenue and Support	<u>2,621,094</u>	<u>(454,259)</u>	<u>2,166,835</u>	<u>2,268,861</u>
EXPENSES				
Program Services				
Public education	358,839	-	358,839	232,131
Legal/Advocacy	433,590	-	433,590	418,271
Organizing	290,790	-	290,790	161,052
Total Program Services	<u>1,083,219</u>	<u>-</u>	<u>1,083,219</u>	<u>811,454</u>
Support Services				
General and administrative	325,466	-	325,466	275,912
Fundraising	142,975	-	142,975	87,954
Total Support Services	<u>468,441</u>	<u>-</u>	<u>468,441</u>	<u>363,866</u>
Total Expenses	<u>1,551,660</u>	<u>-</u>	<u>1,551,660</u>	<u>1,175,320</u>
Change in Net Assets	1,069,434	(454,259)	615,175	1,093,541
NET ASSETS				
Beginning of year, as restated	<u>2,502,263</u>	<u>1,773,013</u>	<u>4,275,276</u>	<u>3,181,735</u>
End of year	<u>\$ 3,571,697</u>	<u>\$ 1,318,754</u>	<u>\$ 4,890,451</u>	<u>\$ 4,275,276</u>

See notes to financial statements

National Advocates for Pregnant Women

Statement of Functional Expenses Year Ended December 31, 2017 (with summarized totals for the year ended December 31, 2016)

	Program Services				Support Services			2016 Total
	Public Education	Legal/ Advocacy	Organizing	Total	General and Administrative	Fundraising	Total	
Salaries and related costs	\$ 172,704	\$ 133,670	\$ 160,345	\$ 466,719	\$ 146,919	\$ 116,521	\$ 263,440	\$ 730,159
Contractual services (includes \$0 and \$13,600 of in-kind expert testimonial services in 2017 and 2016)								
Rent	94,759	216,786	47,379	358,924	111,005	1,805	112,810	471,734
Telephone	26,280	20,340	24,399	71,019	32,070	8,017	40,087	111,106
Supplies	2,302	2,442	2,232	6,976	983	346	1,329	8,305
Printing and postage	238	5,176	535	5,949	9,610	97	9,707	15,656
Travel	950	1,425	202	2,577	617	27	644	3,221
Meetings	36,737	33,758	28,794	99,289	274	135	409	99,698
Insurance	1,986	2,283	5,659	9,928	4,762	589	5,351	15,279
Subscriptions and books	3,952	3,059	3,669	10,680	3,362	2,666	6,028	16,708
Marketing and related costs	3,903	3,059	3,587	10,549	3,323	2,611	5,934	16,483
Equipment expenses	3,324	2,605	3,054	8,983	2,830	2,223	5,053	14,036
Miscellaneous	2,659	2,084	2,443	7,186	2,264	1,779	4,043	11,229
Depreciation	7,287	5,543	6,860	19,690	5,952	4,973	10,925	30,615
	1,758	1,360	1,632	4,750	1,495	1,186	2,681	7,431
Total Expenses	\$ 358,839	\$ 433,590	\$ 290,790	\$ 1,083,219	\$ 325,466	\$ 142,975	\$ 468,441	\$ 1,551,660
								\$ 1,175,320

See notes to financial statements

National Advocates for Pregnant Women

Statement of Cash Flows
Year Ended December 31, 2017
(with comparative amounts for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 615,175	\$ 1,093,541
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	7,431	5,104
Unrealized gain on investments	(172,857)	(62,017)
Changes in operating assets and liabilities		
Contributions receivable	257,090	(4,148)
Prepaid expenses and other assets	(42,806)	2,212
Accounts payable	56,556	26,412
Accrued payroll and related liabilities	74	13,553
Net Cash from Operating Activities	<u>720,663</u>	<u>1,074,657</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,107)	(11,315)
Purchases of investments	<u>(1,410,323)</u>	<u>(1,692,500)</u>
Net Cash from Investing Activities	<u>(1,417,430)</u>	<u>(1,703,815)</u>
Net Change in Cash and Cash Equivalents	(696,767)	(629,158)
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,986,079</u>	<u>2,615,237</u>
 End of year	<u>\$ 1,289,312</u>	<u>\$ 1,986,079</u>

See notes to financial statements

National Advocates for Pregnant Women

Notes to Financial Statements
December 31, 2017

1. Organization and Tax Status

The National Advocates for Pregnant Women (“NAPW”) is a not-for-profit organization dedicated to securing the human rights and civil rights, and health and welfare of pregnant and parenting women, and furthering the interests of their families. NAPW seeks to ensure that women do not lose their constitutional and human rights as a result of pregnancy; that addiction and other health and welfare problems they face during pregnancy are addressed as health issues, not as crimes; that families are not needlessly separated, based on medical misinformation; and that pregnant and parenting women have access to a full range of reproductive health services, as well as non-punitive drug treatment services. NAPW is primarily supported by foundation grants. The Internal Revenue Service has determined that NAPW is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. NAPW’s programs are as follows:

Public Education: NAPW uses a variety of traditional and online public education, communications, and social marketing strategies to educate the public, policymakers, advocates and activists about myths and misinformation relating to pregnancy, abortion, pregnancy loss, labor, delivery and drug use by pregnant women. NAPW challenges destructive and dehumanizing stereotypes about pregnant women, drug users, and abortion; advocates for evidence-based, humane policies that will ensure the health and human dignity of pregnant people and their families; and identifies the common threads and threats connecting women who have abortions with those seeking to continue their pregnancies to term.

Legal/Advocacy: NAPW works directly as co-counsel on numerous cases, and provides legal assistance to defense lawyers, social workers, activists, and people working in the medical and public health fields. NAPW challenges prosecutions, legislation, and ballot measures that limit access to abortion; dehumanize pregnant women; invent separate legal rights for fertilized eggs, embryos, and fetuses; establish grounds for overturning *Roe v. Wade*; expand the war on drugs to women’s wombs; needlessly separate families based on stigma and medical misinformation and that create a separate and unequal system of law for pregnant women. NAPW advocates for all people focusing especially on pregnant women and those most likely to be targeted for state control and punishment, including low-income women, women of color and drug-using women.

Organizing: NAPW organizes at both the local and national levels. NAPW helps to support and encourage grassroots women’s health advocacy groups, trains women directly affected by punitive policies to become advocates, mobilizes state-based coalitions to action, and sponsors major conferences and continuing education programs that inspire effective advocacy and activism. NAPW also works at the national level to mobilize medical and health experts, organizations, and academics to speak out against punitive and counterproductive policies.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

National Advocates for Pregnant Women

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies *(continued)*

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 amounts of assets and liabilities, the 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 these estimates.

Cash and Cash Equivalents

Cash equivalents include highly liquid investments with a maturity of three months or less at the time of purchase.

Allowance for Doubtful Accounts

NAPW provides an allowance for doubtful accounts based upon prior experience and management's assessment of the collectability of existing specific accounts.

Fair Value Measurements

NAPW follows U.S. GAAP guidance for Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments and Investment Income

Investments are carried at fair value. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the change in net assets.

Property and Equipment

Property and equipment in excess of \$1,500 are capitalized, stated at cost and depreciated using the straight-line method over their estimated lives. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods which are reasonably assured, or the estimated useful life of the asset.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount of the asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for the years ended December 31, 2017 and 2016.

National Advocates for Pregnant Women

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies (*continued*)

Net Asset Presentation

The financial statements report amounts separately by class of net assets based on the presence or absence of donor restriction. Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in NAPW's operations. Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or restricted by time. Permanently restricted net assets result from contributions and other inflows of assets whose use by NAPW is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of NAPW. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

Foundation Support and Contributions

Contributions received, including unconditional promises to give, are recognized as support in the period received. NAPW reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods.

Contributed Goods and Services

Contributions of services are recognized at fair value when they are received if the services either create or enhance nonfinancial assets, or require specialized skills, and those skills are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Contributed goods are recorded as income and an asset or expense at the time they are received, which is normally also the time they are placed into service or distributed. In 2017, NAPW received no in-kind contributions.

Functional Allocation of Expenses

The costs of providing the program and other activities of NAPW have been summarized on a functional basis. Accordingly, certain costs have been allocated among programs and supporting services.

Summarized Comparative Information

The statements of activities and functional expenses include certain prior year summarized comparative information in total but not by net asset class or functional class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with NAPW's financial statements as of and for the year ended December 31, 2016 from which the summarized information was derived.

National Advocates for Pregnant Women

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies *(continued)*

Accounting for Uncertainty in Income Taxes

NAPW recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that NAPW had no uncertain tax positions that would require financial statement recognition or disclosure. NAPW is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2014.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 30, 2018.

3. Concentration of Credit Risk

Financial instruments that potentially subject NAPW to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. At times, cash balances may be in excess of the balance insured by the Federal Deposit Insurance Corporation.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of credit risk.

4. Contributions Receivable

Contributions receivable consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Due within		
Less than one year	\$ 243,321	\$ 560,411
One to five years	60,000	-
	<u>\$ 303,321</u>	<u>\$ 560,411</u>

Management determined that the receivables are fully collectible and no allowance for doubtful accounts has been established.

National Advocates for Pregnant Women

Notes to Financial Statements
December 31, 2017

5. Investments

The following are major categories of investments measured at fair value at December 31:

Description	2017		
	Level 1	Level 2	Total
Equities	\$ 933,715	\$ -	\$ 933,715
Mutual funds	1,293,798	-	1,293,798
Fixed income	-	1,110,184	1,110,184
	\$ 2,227,513	\$ 1,110,184	\$ 3,337,697
	2016		
Description	Level 1	Level 2	Total
Money markets	\$ 14,565	\$ -	\$ 14,565
Equities	1,125,458	-	1,125,458
Fixed income	-	614,494	614,494
	\$ 1,140,023	\$ 614,494	\$ 1,754,517

NAPW recognizes transfers between levels in the fair value hierarchy on the date of the event or change in circumstances that cause the transfer. There were no transfers between levels for the years ended December 31, 2017 and 2016.

6. Property and Equipment

Property and equipment consist of the following at December 31:

	Estimated	2017	2016
	Useful Lives		
Furniture and equipment	5-7 yrs.	\$ 95,390	\$ 88,283
Leasehold improvements	7 yrs.	107,496	107,496
		202,886	195,779
Accumulated depreciation		(176,788)	(169,357)
		\$ 26,098	\$ 26,422

National Advocates for Pregnant Women

Notes to Financial Statements
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7. Temporarily Restricted Net Assets

In 2017 and 2016, the activity in the temporarily restricted net assets consists of the following:

<u>Purpose/Restriction</u>	<u>Balance at January 1, 2017</u>	<u>Additions</u>	<u>Assets Released</u>	<u>Balance at December 31, 2017</u>
Time restricted general support	\$ 1,598,013	\$ 1,135,828	\$ (1,574,420)	\$ 1,159,421
Birth justice programs	175,000	320,000	(335,667)	159,333
	<u>\$ 1,773,013</u>	<u>\$ 1,455,828</u>	<u>\$ (1,910,087)</u>	<u>\$ 1,318,754</u>

<u>Purpose/Restriction</u>	<u>Balance at January 1, 2016</u>	<u>Additions</u>	<u>Assets Released</u>	<u>Balance at December 31, 2016</u>
Time restricted general support	\$ 1,121,927	\$ 1,599,507	\$ (1,123,421)	\$ 1,598,013
Birth justice programs	394,737	175,000	(394,737)	175,000
	<u>\$ 1,516,664</u>	<u>\$ 1,774,507</u>	<u>\$ (1,518,158)</u>	<u>\$ 1,773,013</u>

8. Commitments and Contingencies

Lease Commitments

The NAPW office lease expires in January 2020. Rent expense under the lease charged to operations amounted to \$111,106 and \$110,430 for 2017 and 2016.

Future minimum rental payments under this operating lease for each of the next three years are as follows:

2018	\$ 110,970
2019	114,299
2020	<u>9,548</u>
Total	<u>\$ 234,817</u>

National Advocates for Pregnant Women

Notes to Financial Statements
December 31, 2017

9. Prior Period Adjustments

In 2017, NAPW restated certain amounts reported in the 2016 financial statements to correct contributions misclassified in the prior years. Summarized below are the corresponding prior period adjustments.

	<u>Previously Reported</u>	<u>Prior Period Adjustments</u>	<u>Restated Amount</u>
<u>Statement of Activities</u>			
Foundation support	\$ 2,074,957	\$ (250,000)	\$ 1,824,957
Change in net assets	1,343,541	(250,000)	1,093,541
Net assets, beginning of year	2,681,735	500,000	3,181,735
<u>Statement of Financial Position</u>			
Contributions receivable	310,411	250,000	560,411
Temporarily restricted net assets	1,523,013	250,000	1,773,013

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