



THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY
d/b/a POWER TO DECIDE

Financial Statements

For the Year Ended December 31, 2018

(With Summarized Financial Information for the Year Ended December 31, 2017)



**and
Report Thereon**



**THE NATIONAL CAMPAIGN TO PREVENT
TEEN AND UNPLANNED PREGNANCY
d/b/a POWER TO DECIDE**

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For the Year Ended December 31, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The National Campaign to Prevent
Teen and Unplanned Pregnancy
d/b/a Power to Decide

We have audited the accompanying financial statements of The National Campaign to Prevent Teen and Unplanned Pregnancy, d/b/a Power to Decide (Power to Decide), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Continued

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Opinion

In our opinion, the 2018 financial statements referred to above present fairly, in all material respects, the financial position of The National Campaign to Prevent Teen and Unplanned Pregnancy, d/b/a Power to Decide, as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

Power to Decide's 2017 financial statements were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose report dated May 15, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
April 19, 2019

**THE NATIONAL CAMPAIGN TO PREVENT
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d/b/a POWER TO DECIDE**

**STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With Summarized Financial Information as of December 31, 2017)**

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 2,850,372	\$ 5,321,992
Grants and contracts receivable, net	2,670,287	1,024,100
Contributions receivable	33,196	36,435
Accounts receivable	5,826	165,295
Prepaid expenses and deposits	164,021	218,787
Inventory	132,617	188,830
Investments	21,311,687	22,095,824
Property and equipment, net	309,261	413,888
TOTAL ASSETS	\$ 27,477,267	\$ 29,465,151
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 260,024	\$ 618,431
Accrued payroll and benefits	315,347	280,678
Deferred revenue	63,500	-
Obligations under capital leases	33,260	55,529
Deferred rent and lease incentive	629,531	661,554
TOTAL LIABILITIES	1,301,662	1,616,192
Net Assets		
Without donor restrictions	21,007,738	22,438,148
With donor restrictions	5,167,867	5,410,811
TOTAL NET ASSETS	26,175,605	27,848,959
TOTAL LIABILITIES AND NET ASSETS	\$ 27,477,267	\$ 29,465,151

The accompanying notes are an integral part of these financial statements.

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**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)**

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
OPERATING REVENUE AND SUPPORT				
Grants and contracts	\$ 2,822,854	\$ 4,656,790	\$ 7,479,644	\$ 8,426,768
Contributions	515,661	-	515,661	341,073
Publications and materials	207,148	-	207,148	222,255
Donated goods and services	705,259	-	705,259	630,244
Other	5,063	-	5,063	2,772
Net assets released from restrictions:				
Satisfaction of purpose restrictions	3,946,309	(3,946,309)	-	-
Satisfaction of time restrictions	953,425	(953,425)	-	-
	9,155,719	(242,944)	8,912,775	9,623,112
OPERATING EXPENSES				
Program Services:				
Marketing and communications	4,131,084	-	4,131,084	6,575,484
System and practices	2,988,852	-	2,988,852	3,764,574
Public policy	515,920	-	515,920	758,311
Select 360	501,746	-	501,746	199,760
Leadership and planning	377,610	-	377,610	395,223
	8,515,212	-	8,515,212	11,693,352
Supporting Services:				
General and administrative	1,452,892	-	1,452,892	1,177,951
Development and fundraising	426,690	-	426,690	600,442
	10,394,794	-	10,394,794	13,471,745
TOTAL OPERATING EXPENSES				
Change in net assets from operations	(1,239,075)	(242,944)	(1,482,019)	(3,848,633)
NONOPERATING ACTIVITIES				
Investment income (loss), net	(191,335)	-	(191,335)	1,103,395
	(191,335)	-	(191,335)	1,103,395
TOTAL NONOPERATING ACTIVITIES				
CHANGE IN NET ASSETS	(1,430,410)	(242,944)	(1,673,354)	(2,745,238)
NET ASSETS, BEGINNING OF YEAR	22,438,148	5,410,811	27,848,959	30,594,197
NET ASSETS, END OF YEAR	\$ 21,007,738	\$ 5,167,867	\$ 26,175,605	\$ 27,848,959

The accompanying notes are an integral part of these financial statements.

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**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)**

	Program Services					Supporting Services			2018 Total	2017 Total
	Marketing and Communications	Systems and Practices	Public Policy	Select 360	Leadership and Planning	Total Program Services	General and Administrative	Development and Fundraising		
Salaries and wages	\$ 1,300,091	\$ 1,027,996	\$ 367,239	\$ 196,934	\$ 287,834	\$ 3,180,094	\$ 482,810	\$ 268,126	\$ 3,931,030	\$ 4,058,567
Consultants and contract services	592,795	291,167	-	174,358	-	1,058,320	59,177	-	1,117,497	2,386,158
Grants	-	839,567	5,000	-	(8,510)	836,057	-	-	836,057	998,486
Donated goods and services	433,455	-	-	-	-	433,455	271,804	-	705,259	630,244
Fringe benefits	245,533	141,985	58,178	27,707	41,067	514,470	123,448	43,874	681,792	687,773
Website maintenance	484,276	43,155	12,162	4,121	5,788	549,502	28,769	9,148	587,419	944,398
Rent and storage	214,216	106,827	43,784	13,906	20,813	399,546	108,721	32,894	541,161	560,614
Staff travel	121,371	185,803	3,240	22,780	5,771	338,965	72,005	43,145	454,115	392,211
Advertising and marketing	289,131	556	-	14,455	-	304,142	2,562	607	307,311	521,996
Survey and evaluation services	144,720	121,655	-	18,177	-	284,552	-	195	284,747	1,277,992
Conference and meeting expenses	26,989	160,985	273	18,736	5,362	212,345	19,421	7,138	238,904	146,559
Publications, copying and materials	94,218	2,389	369	2,569	174	99,719	58,891	282	158,892	139,138
Depreciation and amortization	97,832	42,683	3,427	981	1,564	146,487	7,763	2,539	156,789	144,591
Office supplies and miscellaneous	24,265	6,198	17,504	2,754	811	51,532	51,744	5,044	108,320	170,888
Accounting, audit and legal services	-	-	-	-	-	-	79,428	9,000	88,428	71,875
Insurance	-	-	-	-	-	-	73,850	-	73,850	76,027
Postage and shipping	33,557	4,238	251	1,774	193	40,013	452	1,203	41,668	60,486
Telephone and fax	14,994	9,431	2,980	2,026	1,421	30,852	7,037	2,367	40,256	46,245
Computer supplies and maintenance	13,641	4,217	1,513	468	673	20,512	5,010	1,128	26,650	137,457
Board and advisory group meetings	-	-	-	-	14,649	14,649	-	-	14,649	20,040
TOTAL OPERATING EXPENSES	\$ 4,131,084	\$ 2,988,852	\$ 515,920	\$ 501,746	\$ 377,610	\$ 8,515,212	\$ 1,452,892	\$ 426,690	\$ 10,394,794	\$ 13,471,745

The accompanying notes are an integral part of these financial statements.

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**STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(With Summarized Financial Information for the Year Ended December 31, 2017)**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,673,354)	\$ (2,745,238)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	156,789	144,591
Net realized and unrealized (gain) loss on investments	802,001	(610,356)
Changes in assets and liabilities:		
Grants and contracts receivable	(1,646,187)	1,703,688
Contributions receivable	3,239	(23,299)
Accounts receivable	159,469	(74,157)
Prepaid expenses and deposits	54,766	(150,800)
Inventory	56,213	(118,242)
Accounts payable and accrued expenses	(358,407)	15,670
Accrued payroll and benefits	34,669	24,213
Grants payable	-	(13,750)
Deferred revenue	63,500	-
Deferred rent and lease incentive liability	(32,023)	379,456
NET CASH USED IN OPERATING ACTIVITIES	(2,379,325)	(1,468,224)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	95,839	3,023,964
Purchases of investments	(113,703)	(2,836,352)
Purchases of property and equipment	(52,162)	(205,576)
NET CASH USED IN INVESTING ACTIVITIES	(70,026)	(17,964)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital leases	(22,269)	(21,714)
NET CASH USED IN FINANCING ACTIVITIES	(22,269)	(21,714)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,471,620)	(1,507,902)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,321,992	6,829,894
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,850,372	\$ 5,321,992
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 891	\$ 1,446
NONCASH TRANSACTIONS		
Noncash investing activities:		
Property and equipment included in accounts payable and accrued expenses	\$ -	\$ 52,587
NET CASH OUTLAY	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

1. Organization and Summary of Significant Accounting Policies

Organization

The National Campaign to Prevent Teen and Unplanned Pregnancy, doing business as Power to Decide as of December 2017 (Power to Decide), was founded in February 1996 as a nonprofit, nonpartisan organization. Its mission is to improve the lives and future prospects of children and families and to help ensure that children are born into stable, two-parent families who are committed to and ready for the demanding task of raising the next generation. Power to Decide's initial goal was to reduce the teen pregnancy rate by one-third between 1996 and 2005. In 2005, Power to Decide set a new challenge to reduce teen pregnancy by an additional one-third by 2015. In 2012, Power to Decide set a new challenge for 2020: a 20% reduction in the proportion of unplanned pregnancies among women under 30, and a 20% reduction in the teen pregnancy rate. In 2016, Power to Decide set new 2026 goals to reduce the rate of teen pregnancy by 50%, reduce the rate of unplanned pregnancy among women age 18-29 by 25%, and reduce the disparities that exist in teen pregnancy and unplanned pregnancy rates among racial/ethnic and socioeconomic groups by 50%.

High rates of teen and unplanned pregnancy burden not only teens and young adults, but also their children, families and communities, while imposing large costs on taxpayers. To reduce both teen pregnancy and unplanned pregnancy (especially among single, young adults), Power to Decide provides a national presence and leadership to raise awareness of the issue and to attract new voices and resources to the cause. It provides concrete assistance to those already working in the field. Power to Decide also tries to ease the many disagreements that have plagued both national and local efforts to address these problems.

In March 2011, Power to Decide established Bedsider, LLC, a single-member limited liability company, for the purpose of making a software application available in an online store. Bedsider, LLC will provide an additional outlet for making mission-related applications for Power to Decide, such as games or social media tools, available to the public by downloading them from an online store. There was no financial activity for Bedsider, LLC for the year ended December 31, 2018, except for certain annual corporation filing fees which are reported in the financial statements of Power to Decide.

Basis of Presentation

The financial statements of Power to Decide have been prepared on the accrual basis of accounting. Under accounting principles generally accepted in the United States of America (GAAP), Power to Decide is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

Power to Decide considers all short-term, highly liquid investments with purchased maturities of three months or less to be cash equivalents. However, money market funds included in the investment portfolio are excluded from cash and cash equivalents.

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

1. Organization and Summary of Significant Accounting Policies (continued)

Inventory

Inventory consists of published reports, monographs and paraphernalia to promote teen and unplanned pregnancy prevention projects, and other products to be used primarily in Power to Decide's programs. Inventory is stated at the lower of cost or net realizable value and is calculated using the first-in, first-out method of accounting. Management periodically adjusts the value for slow-moving or obsolete inventory.

Receivables

Receivables are primarily from grants, cooperative awards and contracts from foundations, government agencies and corporate contributors. Power to Decide uses the allowance method to record potentially uncollectible accounts. Management believes that all receivables are fully collectible. Therefore, no allowance is deemed necessary.

Investments

Investments consist of mutual funds, exchange-traded funds and money market funds. These investments are recorded in the accompanying financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date. Realized gains or losses on sales of investments are recorded on the trade date of the transactions. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period. All such gains and losses, interest, and dividends are included in investment income in the statement of activities, net of investment management fees.

Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives of three to 10 years. Capital leased assets are stated at the net present value of future minimum lease payments and are amortized using the straight-line method over the life of the lease. Leasehold improvements are stated at cost and are amortized using the straight-line method over the remaining life of the lease. Power to Decide recognizes costs incurred in the development of its websites and mobile game applications in accordance with the provisions of the accounting standards for software costs. Accordingly, costs incurred for planning and operating the websites and applications are expensed, whereas costs incurred in developing the applications and infrastructure are capitalized and amortized on a straight-line basis over an estimated useful life of three years. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. When property and equipment or other assets are purchased with restricted award funds, the related net assets are released from restriction at the time Power to Decide incurs the expenditure related to the award.

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Accumulated Depreciation and Amortization (continued)

Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses.

Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the *Fair Value Measurement* Topic, Power to Decide has categorized its applicable financial instruments into a required 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). As of and for the year ended December 31, 2018, only Power to Decide's investments, as described in Note 3 to these financial statements, were measured at fair value on a recurring basis and are subject to the *Fair Value Measurement* Topic. The fair value for all of Power to Decide's investments is based upon quoted prices for identical assets in an active market that Power to Decide has the ability to access (Level 1).

Classification of Net Assets

Power to Decide's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available to support Power to Decide's operations. Net assets without donor restrictions also include a reserve fund established with publications revenue, contributions without restrictions and contributions from Power to Decide's 10th anniversary event, which continues to earn dividend and interest income.
- Net assets with donor restrictions represent amounts specifically restricted by donors or grantors for various programs or future periods.

Revenue Recognition

Contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made. Power to Decide reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. When donor-imposed restrictions on gifts of cash or other assets are met in the same reporting period in which the contribution is received, the

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

contribution is reported as support without donor restrictions. Contributions of cash or other assets restricted to acquisition of long-lived assets are recorded as contributions with donor restrictions. Once the long-lived assets are acquired and placed in service and if there are no donor restrictions on the long-lived assets' use, the donor restrictions are considered met and the net assets with donor restrictions are released and reclassified to net assets without donor restrictions.

Power to Decide receives cooperative grant awards and contracts from federal government agencies in exchange for services. Revenue from the grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on grants and contracts for which payments have not been received is reflected as grants and contracts receivable in the accompanying statement of financial position.

Contributions that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Donated Goods and Services

Donated goods and services represent the value of donated advertising, legal assistance, facilities and supplies. Donations are recorded based on their fair value at the date of donation and are included in the marketing and communications program expenses and in general and administrative expenses in the accompanying statement of activities.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Direct costs associated with specific programs are recorded as program services expenses. Certain general and administrative expenses such as fringe benefits, web development service, office supplies, printing, shipping, depreciation and rent are allocated to specific programs based on a percentage of salaries or percent of effort, depending on the nature of the expense.

Definition of Operations

Operating revenue and expenses generally reflect those revenues and expenses that arise from Power to Decide's activities and excludes net investment income (losses).

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

1. Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (the ASU). The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. Power to Decide has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to the summarized comparative information presented for the year ended December 31, 2017.

2. Grants and Contracts Receivable

For the year ended December 31, 2018, grants and contracts receivable included grants, cooperative awards and contracts from foundations, government agencies and corporate contributors, to be used for particular programs and/or general support in the coming years. All amounts were deemed fully collectible and were expected to be paid as follows:

Due in less than one year	\$ 1,985,832
Due in one to five years	<u>700,000</u>
Total Grants and Contracts Receivable	2,685,832
Less: Discount to Present Value (4.5%)	<u>(15,545)</u>
Grants and Contracts Receivable, Net	<u>\$ 2,670,287</u>

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

3. Investments

As of December 31, 2018, Power to Decide had valued all of its investments using quoted prices in active markets for identical assets (Level 1, as described in Note 1 to these financial statements). As of December 31, 2018, Power to Decide's investments consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Fixed-income mutual funds:		
Intermediate-term bond funds	\$ 9,988,155	\$ 9,605,064
World bond funds	2,079,159	1,949,359
Nontraditional bond funds	<u>1,600,841</u>	<u>1,385,720</u>
Total Fixed-Income Mutual Funds	<u>13,668,155</u>	<u>12,940,143</u>
Fixed-income exchange-traded funds:		
Short- and intermediate-term bond funds	<u>5,921,912</u>	<u>5,791,865</u>
Equity exchange-traded funds:		
Large growth funds	469,522	602,201
Large value funds	464,095	570,363
Small blend funds	324,134	381,715
Foreign large blend funds	327,364	340,574
Mid-cap growth funds	273,985	326,036
Mid-cap value funds	<u>222,920</u>	<u>247,199</u>
Total Equity Exchange-Traded Funds	<u>2,082,020</u>	<u>2,468,088</u>
Money market funds	<u>111,591</u>	<u>111,591</u>
Total Investments	<u>\$21,783,678</u>	<u>\$21,311,687</u>

Investment returns are summarized as follows for the year ended December 31, 2018:

Interest and dividend income	\$ 664,301
Net realized gain	19,280
Net unrealized loss	(821,281)
Management fees	<u>(53,635)</u>
Investment Income (Loss), Net	<u>\$ (191,335)</u>

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

4. Property and Equipment

Power to Decide held the following property and equipment as of December 31, 2018:

Website and application development costs	\$ 801,480
Leasehold improvements	635,271
Computer equipment	106,195
Furniture and equipment	127,548
Leased equipment	<u>106,540</u>
Total Property and Equipment	1,777,034
Less: Accumulated Depreciation and Amortization	<u>(1,467,773)</u>
Property and Equipment, Net	<u>\$ 309,261</u>

Depreciation and amortization expense was \$156,789 for the year ended December 31, 2018.

During the year ended December 31, 2018, Power to Decide disposed of website and application development costs totaling approximately \$2,066,000 due to newer versions replacing the outdated versions over the years. All disposed website and application costs were fully depreciated.

5. Loan and Line of Credit

On July 29, 2017, Power to Decide entered into a loan and line of credit agreement with a financial institution to borrow up to \$2,500,000 that expired on July 29, 2018, and was subsequently renewed through July 31, 2019. Amounts drawn on the agreement accrue interest based on the London Interbank Offered Rate (LIBOR) plus 2% and are required to be paid each month. The loan is secured by a pledge agreement which granted the financial institution a security interest in Power to Decide's investment account held at the financial institution. During the year ended December 31, 2018, Power to Decide had no borrowings and no repayments on the loan and line of credit.

6. Commitments, Contingencies and Risks

Capital Leases

Power to Decide leases office equipment under leases that meet the criteria for capitalization. The leases expire in 2019 and 2021. The leased equipment is included in property and equipment at a cost of \$106,540, with accumulated amortization of \$76,207 as of December 31, 2018.

Continued

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

6. Commitments, Contingencies and Risks (continued)

Capital Leases (continued)

The future minimum lease payments required for these capital leases were as follows at December 31, 2018:

For the Year Ending December 31,		
2019	\$	19,297
2020		11,580
2021		2,898
Subtotal		34,775
Less: Amount Representing Interest		(515)
Present Value of Net Minimum Lease Payments	\$	33,260

Office Leases

Power to Decide has a noncancelable operating lease which expires on May 31, 2023, for its main office located in Washington, D.C. The lease provided for certain rent abatements to be applied against monthly rent payments during calendar years 2016 and 2017, as well as a tenant improvement allowance of \$424,490 that may be used either for the payment of costs incurred to cover certain construction and furniture and equipment costs related to the premises or as a credit against monthly rent obligations in calendar years 2018 and 2019. In each case, half of the total amount of the abatement and improvement allowance or credit individually will be applied during each year indicated. As of December 31, 2018, \$339,600 of the tenant improvement allowance had been used. The remaining balance of \$84,890 will be used towards abated rent in calendar year 2019. The lease also contains a fixed escalation clause for increases in the annual minimum rent as well as Power to Decide's proportionate share of real estate taxes and operating and maintenance costs of the building.

Under GAAP, all lease incentives and fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease incentive liability in the accompanying statement of financial position.

Future minimum office rental payments under the lease agreement were as follows at December 31, 2018:

For the Year Ending December 31,		
2019	\$	573,796
2020		675,161
2021		692,040
2022		709,341
2023		301,066
Total	\$	2,951,404

Continued

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

6. Commitments, Contingencies and Risks (continued)

Office Leases (continued)

Rent and storage expense was \$541,161 for the year ended December 31, 2018.

Concentration of Risk

During the year ended December 31, 2018, Power to Decide received \$4,584,455 in grants from three major grantors. The grants represented 51% of the total operating revenue and support recognized by Power to Decide for the year ended December 31, 2018. If a significant reduction in funding from these grantors was to occur, it might adversely impact Power to Decide's financial position and ability to carry out its program activities.

Power to Decide maintains its cash and cash equivalents with a commercial financial institution, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2018, Power to Decide had \$2,938,546 composed of demand deposits and money market funds, which exceeded the maximum insured by the FDIC by \$2,688,546. Power to Decide monitors the creditworthiness of this institution and has not experienced any credit losses on its cash and cash equivalents.

Compliance Audit

Power to Decide has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although Power to Decide expects such amounts, if any, to be insignificant.

7. Availability and Liquidity of Funds

The following reflects Power to Decide's financial assets at December 31, 2018, reduced by amounts not available for general expenditure within one year of the date of the statement of financial position because of contractual or donor-imposed restrictions or internal designations by the Board of Directors. As part of its liquidity plan, excess cash is invested in short-term and low-risk investments. Amounts not available include cash and investments set aside by the Board of Directors as a reserve fund for future initiatives and capital needs that would require approval of the Board of Directors for expenditure. Additionally, to help manage unanticipated liquidity needs, Power to Decide has a committed line of credit in the amount of \$2,500,000 which could be drawn upon if the Board of Directors approved that action.

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2018**

7. Availability and Liquidity of Funds (continued)

Financial assets at year-end:

Cash and cash equivalents	\$ 2,850,372
Grants and contracts receivable	2,670,287
Contributions receivable	33,196
Accounts receivable	5,826
Investments	<u>21,311,687</u>

Total Financial Assets Available	<u>26,871,368</u>
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Less:

Amounts not available to be used within one year due to contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(5,167,867)
Net assets with purpose restrictions to be used in less than one year	<u>4,133,412</u>

(1,034,455)

Board designations:

Board reserve fund	<u>(17,605,722)</u>
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Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 8,231,191</u>
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8. Net Assets

Net assets consisted of the following as of December 31, 2018:

Net Assets Without Donor Restrictions

Undesignated – operating	\$ 3,402,016
Board-designated – reserve fund	<u>17,605,722</u>

Total Net Assets Without Donor Restrictions	<u>\$21,007,738</u>
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The board-designated fund balances are included in the investments in the accompanying statement of financial position and are invested in accordance with Power to Decide's investment policy.

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8. Net Assets (continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions were available with the following purpose or time restrictions as of December 31, 2018:

Programs:	
Marketing and communications	\$ 3,105,943
System and Practices	<u>1,311,924</u>
Total Programs	4,417,867
Operations:	
Time-restricted as of December 31, 2018	<u>750,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,167,867</u>

For the year ended December 31, 2018, net assets released from restrictions were as follows:

Programs:	
Marketing and communications	\$ 2,960,677
System and Practices	946,595
Select 360	<u>39,037</u>
Total Programs	3,946,309
Passage of Time Restrictions	<u>953,425</u>
Total Net Assets With Donor Restrictions Released from Restrictions	<u>\$ 4,899,734</u>

9. Pension Plan

Power to Decide sponsors a defined-contribution pension plan pursuant to Section 403(b) of the Internal Revenue Code (the IRC), which covers eligible employees with a minimum of 12 months of service. Power to Decide contributes 6% of an eligible employee's compensation to this plan up to the maximum permitted by law, and employees are fully vested at the time of contribution. Power to Decide's contributions totaled \$169,331 for the year ended December 31, 2018.

Power to Decide also maintains a tax-deferred annuity retirement plan pursuant to Section 403(b) of the IRC, which is available to all eligible employees. Under the 403(b) plan, eligible employees may elect to contribute up to the federal tax limitation. Power to Decide does not contribute to this plan.

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**NOTES TO FINANCIAL STATEMENTS
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10. Income Taxes

Power to Decide is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. No provision for income taxes is required for the year ended December 31, 2018, as Power to Decide had no significant net unrelated business income.

Power to Decide performed an evaluation of uncertainty in income taxes for the year ended December 31, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2018, the statute of limitations for tax years 2015 through 2017 remained open for the U.S. federal jurisdiction and the District of Columbia, the jurisdictions in which Power to Decide files tax returns; however, there are currently no examinations in progress. It is Power to Decide's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2018, Power to Decide had no accruals for interest and/or penalties.

11. Donated Goods and Services

Power to Decide received donated internet and print advertising space reported at fair value and services for legal assistance valued at the equivalent rate charged to other clients. The fair value of these services and goods totaled \$433,455 and \$271,804, respectively, for the year ended December 31, 2018, and is included in donated goods and services expenses under the marketing and communications program and general and administrative services in the accompanying statement of functional expenses.

12. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Power to Decide's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

13. Reclassification

Certain 2017 amounts have been reclassified to conform to the 2018 financial statement presentation.

14. Subsequent Events

In preparing these financial statements, Power to Decide has evaluated events and transactions for potential recognition or disclosure through April 19, 2019, the date the financial statements were available to be issued. There were no subsequent events identified through April 19, 2019, that require recognition or disclosure in these financial statements.