

THE FREEDOM ALLIANCE

**Financial Statements for the Year Ended December 31, 2022
And Independent Auditors' Report
Dated July 31, 2023**

**JENNIFER S. BURKE, CPA PLLC
7525 PRESIDENTIAL LANE
MANASSAS, VIRGINIA 20109
TELEPHONE (540) 229-9538**

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Jennifer S. Burke, CPA PLLC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Freedom Alliance
Dulles, Virginia

Opinion

We have audited the accompanying financial statements of The Freedom Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Freedom Alliance as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Freedom Alliance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Freedom Alliance's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Freedom Alliance'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 Freedom Alliance'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.

Report on Summarized Comparative Information

We have previously audited The Freedom Alliance's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Jennifer S. Burke CPA PLLC
Manassas, Virginia
July 31, 2023

The Freedom Alliance
Statement of Financial Position
As of December 31, 2022
(With Comparative Totals as of December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 14,363,599	\$ 9,710,336
Accounts Receivable	6,874	17,438
Contributions Receivable	1,250,000	-
Prepayments and Other Assets	<u>99,759</u>	<u>107,865</u>
Total Current Assets	15,720,232	9,835,639
Property and Equipment		
Furniture and Equipment	121,287	121,138
Accumulated Depreciation	(119,279)	(116,443)
Right-Of-Use Assets	146,741	-
Accumulated Amortization	<u>(88,003)</u>	<u>-</u>
Total Property and Equipment	60,746	4,695
Other Assets		
Investments	25,532,390	34,677,098
Property Held for Donation	356,990	247,900
Refundable Advance Asset	<u>900,900</u>	<u>1,028,000</u>
Total Other Assets	<u>26,790,280</u>	<u>35,952,998</u>
TOTAL ASSETS	<u><u>42,571,258</u></u>	<u><u>45,793,332</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Payroll and Payroll Taxes Payable	103,577	74,491
Accounts Payable	350,698	239,649
Unearned Revenues	5,182	-
Lease Liability - Current	<u>53,284</u>	<u>-</u>
Total Current Liabilities	512,741	314,140
Other Liabilities		
Annuities	15,720	50,653
Lease Liability - Long Term	<u>4,543</u>	<u>-</u>
Total Other Liabilities	<u>20,263</u>	<u>50,653</u>
TOTAL LIABILITIES	533,004	364,793
Net Assets		
Without Donor Restrictions	23,078,510	25,670,572
With Donor Restrictions	<u>18,959,744</u>	<u>19,757,967</u>
Total Net Assets	<u>42,038,254</u>	<u>45,428,539</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 42,571,258</u></u>	<u><u>\$ 45,793,332</u></u>

See the accompanying Independent Auditors' Report and notes to the financial statements

The Freedom Alliance
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>	<u>2021</u>
Contributions and Revenues				
Contributions	\$ 6,404,371	\$ 2,430,157	\$ 8,834,528	\$ 10,148,953
In-Kind Donations	1,381,279	-	1,381,279	1,624,871
Registration Fees & Sponsorships	262,800	-	262,800	96,250
Gain/(Loss) on Disposal of Property	243,654	-	243,654	522,777
List Rental Income	79,780	-	79,780	108,719
Miscellaneous Income	9,138	-	9,138	9,636
Loss in Value - Split Interest Agreement	(1,567)	-	(1,567)	(1,567)
Investment Income, net of expenses	(3,329,016)	(226,810)	(3,555,826)	3,699,788
Net Assets Released from Restriction	<u>3,001,570</u>	<u>(3,001,570)</u>	<u>-</u>	<u>-</u>
Total Contributions and Revenues	8,052,009	(798,223)	7,253,786	16,209,427
Expenses				
Program Expenses				
Restricted Programs	6,856,136	-	6,856,136	7,898,126
General Programs	<u>2,633,450</u>	<u>-</u>	<u>2,633,450</u>	<u>2,517,318</u>
Total Program Expense	9,489,586	-	9,489,586	10,415,444
General and Administrative Expenses	258,883	-	258,883	245,494
Fundraising Expenses	<u>895,602</u>	<u>-</u>	<u>895,602</u>	<u>684,735</u>
Total Support Services	1,154,485	-	1,154,485	930,229
Total Expenses	<u>10,644,071</u>	<u>-</u>	<u>10,644,071</u>	<u>11,345,673</u>
Change in Net Assets	(2,592,062)	(798,223)	(3,390,285)	4,863,754
Net Assets, Beginning of Year	<u>25,670,572</u>	<u>19,757,967</u>	<u>45,428,539</u>	<u>40,564,785</u>
Net Assets, End of Year	<u>\$ 23,078,510</u>	<u>\$ 18,959,744</u>	<u>\$ 42,038,254</u>	<u>\$ 45,428,539</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

The Freedom Alliance
Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (3,390,285)	\$ 4,863,754
Adjustments to reconcile Change in Net Assets to Cash used by Operating Activities:		
Depreciation	2,688	5,000
Loss on Disposal of Assets	-	451
Unrealized (Gain)/Loss on Investments	4,297,220	(2,077,554)
Loss in Value - Split Interest Agreement	1,567	1,567
(Increase) / Decrease in:		
Receivables	(1,239,436)	5,374
Prepayments and Other Assets	8,106	(30,131)
Donated Property Held for Sale/Donation	(109,090)	1,258,000
Refundable Advance Asset	127,100	(198,000)
Right of Use Assets, net	(58,738)	-
Increase / (Decrease) in:		
Accounts Payable	111,049	103,506
Payroll Liabilities	29,086	1,316
Lease Liabilities	57,827	-
Unearned Revenues	5,182	(21,965)
Net Cash provided / (used) by Operations	(157,724)	3,911,318
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(8,723,903)	(8,001,882)
Sale of Investments	13,571,390	6,093,146
Purchase of Furniture and Equipment	-	(1,003)
Net Cash provided / (used) by Investing Activities	4,847,487	(1,909,739)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Annuity Obligations	(36,500)	(36,500)
Net Cash used by Investing Activities	(36,500)	(36,500)
Net Increase in Cash and Cash Equivalents	4,653,263	1,965,079
Cash and Cash Equivalents, Beginning of Year	9,710,336	7,745,257
Cash and Cash Equivalents, End of Year	\$ 14,363,599	\$ 9,710,336
Interest Paid	\$ 1,788	\$ 5,271

See the accompanying Independent Auditors' Report and notes to the financial statements

The Freedom Alliance
Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	Restricted Programs	General Programs	Total Programs	General and Administrative	Fundraising	Total Support Services	Total 2022	Total 2021
Grants and Contributions	\$ 3,752,788	\$ 28,506	\$ 3,781,294	\$ -	\$ -	\$ -	\$ 3,781,294	\$ 4,792,685
Salaries and Benefits	901,817	660,259	1,562,076	52,799	145,111	197,910	1,759,986	1,586,011
Donated Goods and Services	1,304,506	23,225	1,327,731	-	-	-	1,327,731	1,624,871
Professional Fees	292,047	365,099	657,146	120,364	223,283	343,647	1,000,793	899,982
Printing and Reproduction	76,490	488,582	565,072	9,624	162,440	172,064	737,136	568,489
Events and Conferences	317,941	321,838	639,779	11,477	63,468	74,945	714,724	528,838
Postage and Delivery	44,788	506,784	551,572	8,687	82,928	91,615	643,187	679,911
List Rental	16,600	148,999	165,599	30	19,786	19,816	185,415	187,344
Consulting	-	-	-	-	167,800	167,800	167,800	159,000
Rent	55,526	40,372	95,898	3,228	8,873	12,101	107,999	105,883
Bank Fees and Interest Expense	10,859	19,612	30,471	32,860	2,496	35,356	65,827	67,250
Marketing	48,657	1,366	50,023	370	83	453	50,476	50,349
Supplies	11,993	8,444	20,437	8,032	4,400	12,432	32,869	30,762
Dues and Subscriptions	4,336	4,584	8,920	985	5,723	6,708	15,628	10,850
Telephone	7,766	5,686	13,452	455	1,250	1,705	15,157	17,236
Miscellaneous	856	1,413	2,269	9,420	168	9,588	11,857	4,850
Business Insurance	5,520	3,189	8,709	255	701	956	9,665	14,532
Equipment Rental	1,930	4,236	6,166	113	662	775	6,941	6,508
Taxes and Licenses	339	248	587	103	6,208	6,311	6,898	5,322
Depreciation Expense	1,377	1,008	2,385	81	222	303	2,688	5,000
Total	\$ 6,856,136	\$ 2,633,450	\$ 9,489,586	\$ 258,883	\$ 895,602	\$ 1,154,485	\$ 10,644,071	\$ 11,345,673

See the accompanying Independent Auditors' Report and notes to the financial statements

The Freedom Alliance
Notes to the Financial Statements
For the Year Ended December 31, 2022

NOTE 1: ORGANIZATION

The Freedom Alliance (“the Organization”) is a non-partisan, 501(c)(3) educational and charitable organization based in Virginia. The Organization’s purpose is to advance the American heritage of Freedom by honoring and encouraging military service, defending the sovereignty of the United States, and promoting a strong national defense.

Contributions to the Organization are used to further its mission through policy research and publication of educational materials, through college scholarships for the children of military personnel killed or permanently disabled in a combat or training mission and by hosting and sponsoring activities that honor and support U.S. servicemen and women and their families.

Donations to The Freedom Alliance Scholarship Fund are classified as restricted funds and are accounted for separately from other program funds. 100% of the money donated to the Scholarship Fund are used only for that purpose, and are not used to cover any of the cost to administer the program. Overhead costs for the Scholarship program are paid out of the Organization’s general operating funds.

In addition to funding grants to qualifying students now in college, a significant percentage of donations to the Scholarship Fund are placed in a “trust fund.” This money is for the many young children of the service men and women who have been killed or permanently disabled, as well as others who may be lost, in an operational mission or training accident. Many of the children they leave behind are very young and a sizable fund will be necessary to help fund their education when they reach college age.

The Organization also conducts research and offers analysis on public policy matters especially those which impact national sovereignty, national defense, foreign policy, American history, and the role of government generally. The Organization educates the public on these matters through the publication of policy papers, manuscripts, newspaper columns, and other educational materials. The Organization also hosts seminars and policy discussions and debates and participates in public discussions through the media (the Internet, talk radio, television, newspapers and magazines, etc.).

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Freedom Alliance
Notes to the Financial Statements
For the Year Ended December 31, 2022

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents - Includes all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial investments. The cash held in banks is insured by the Federal Deposit Insurance Company. As of December 31, 2022, the uninsured portion of this balance was \$662,789. Due to operational needs, management feels it is an acceptable risk.

Investments - Investments are carried in the financial statements at fair value. Investment income reflected in the accompanying statement of activities includes gains and losses realized upon sales and unrealized gains and losses resulting from fluctuations in market values of investments.

Contributions - The Organization reports gifts of cash and other assets as restricted support if they are received with donor or time stipulations that limit the use of the donated assets. When the donor or time restriction expires, that is, 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 statement of activities as net assets released from restrictions. Contributions or donations with donor-imposed restrictions that are received and released from restriction during the same fiscal year are reflected as unrestricted support.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires net assets with donor restrictions are reclassified to net assets without donor restrictions. Based upon the Organization's history, no provisions were made for uncollectible accounts for the year ended December 31, 2022.

Registration Fees & Sponsorships - Registration Fees and Sponsorships are recognized when the events take place.

Fixed Assets - Acquisitions of furniture and equipment in excess of \$250 are capitalized. Furniture and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. Furniture, equipment, and vehicles are depreciated over 5 years and computers and software are depreciated over 3 years.

Functional Expenses - Expenses are charged directly to program, general and administrative, and fundraising in general categories based on specific identification. Salaries and related expenses are allocated based on employees' time. Other indirect expenses have been allocated based on direct costs.

The Freedom Alliance
Notes to the Financial Statements
For the Year Ended December 31, 2022

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases - The Organization determines if an arrangement is a lease at inception. Operating leases as a lessee are included in right-of-use assets and lease liabilities in the statement of financial position. Right-of-use assets represent the Organization's right to use an underlying asset for the lease term. Lease obligations represent the Organization's liability to make lease payments arising from the lease. Operating lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate risk-free rate at the commencement date. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Income Taxes - The Organization has received notification from the Internal Revenue Service that it is exempt from federal income tax as described in Section 501 (c)(3) of the Internal Revenue Code. Accordingly, contributions are deductible for federal income, estate, and gift tax purposes. The Internal Revenue Service also has classified the Organization as a public charity and not a private foundation. The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed.

NOTE 3: CASH AND CASH EQUIVALENTS

The Organization's cash and cash equivalents as of December 31, 2022 are as follows:

Checking/Savings	\$ 774,280
Cash held by investment managers	<u>13,589,319</u>
Totals	<u>\$14,363,599</u>

NOTE 4: PROPERTY HELD FOR DONATION

The Organization receives donations of real estate properties and these properties are used for the Heroes to Homeowners program. The total value of properties held for donation at December 31, 2022 is \$356,990.

NOTE 5: REFUNDABLE ADVANCE ASSET

Refundable Advance Asset is part of the Heroes to Homeowner's program. As homes are conditionally deeded to veterans they are moved from Properties Held for Donation to Refundable Advance Asset. Upon the conditions being met, the homes are released without condition to the veterans.

The Freedom Alliance
Notes to the Financial Statements
For the Year Ended December 31, 2022

NOTE 5: REFUNDABLE ADVANCE ASSET (continued)

The activity for 2022 is as follows:

Beginning of Year	\$1,028,000
Conditionally deeded to veterans	247,900
Released from conditions	<u>(375,000)</u>
End of Year	<u>\$ 900,900</u>

NOTE 6: SPLIT-INTEREST AGREEMENTS

The Organization has a program to receive contributions under charitable gift annuities. The Organization has segregated these assets as separate and distinct funds, independent from other funds and not to be applied to payment of the debts and obligations of the Organization or any other purpose other than annuity benefits specified in the agreements.

The Organization agrees to pay a stated return annually to the beneficiaries as long as they live, at which time the remaining assets are available for unrestricted use of the Organization. A liability is recognized for the estimated present value of the annuity obligations. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables.

Assets and liabilities of the Organization at December 31, 2022 that are derived from split-interest agreements are as follows:

Cash and cash equivalents	\$ 1,315
Investments	<u>324,916</u>
Total Assets	<u>\$ 326,231</u>
Annuities	<u>\$ 15,720</u>
Total Liabilities	<u>\$ 15,720</u>

NOTE 7: INVESTMENTS

Financial Accounting Standards Board Statement Accounting Standards Codification 820, Fair Value Measurements (FASB ASC 820), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy under FASB Statement No. 157 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted market prices in active markets for identical assets or liabilities.

The Freedom Alliance
Notes to the Financial Statements
For the Year Ended December 31, 2022

NOTE 7: INVESTMENTS (continued)

Level 2 Inputs to the valuation methodology include: a) Quoted prices for similar assets or liabilities in active markets, b) Quoted prices for identical or similar assets or liabilities in markets that are not active, and c) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are both unobservable and significant to the overall fair value measurement.

Investments in private investment companies that are measured at fair value using NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy, as ASU 2015-07 removes the requirement. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Financial Position as of December 31, 2022.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$13,285,160	\$ -	\$ -	\$13,285,160
Stocks	5,331,756	-	-	5,331,756
Corporate Fixed Income	1,922,132	-	-	1,922,132
Gov't Securities	2,998,041	-	-	2,998,041
ETFs & CEFs	<u>863,291</u>	-	-	<u>863,291</u>
Total	<u>\$24,400,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$24,400,380</u>
Investment in private investment company	\$ -	\$ -	\$ -	<u>\$ 1,132,010</u>
Total Investments	<u>\$24,400,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$25,532,390</u>

Investment income consists of the following for the year ended December 31, 2022:

Interest and Dividends	\$ 986,477
Realized Gains / (Losses)	(79,776)
Unrealized Gains / (Losses)	(4,297,220)
Net of Investment Expenses	<u>(165,307)</u>
Total	<u>\$(3,555,826)</u>

NOTE 8: ENDOWMENT FUND

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The original value of the donated gift, \$1,003,955, is recorded as a perpetual endowment and investment income on the endowment is recorded as restricted until the

The Freedom Alliance
Notes to the Financial Statements
For the Year Ended December 31, 2022

NOTE 8: ENDOWMENT FUND (continued)

restriction is met. If the restriction is met in the same period, the income is reflected as unrestricted support.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to the program supported by its endowment funds. The Organization has a spending policy of appropriating interest and dividend income for distribution each year. To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Changes in endowment net assets as of December 31, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Poppy's Wish Vacation Program Activity			
Beginning of year – cash	\$ -	\$ -	\$ -
Unrestricted resources	17,188	-	17,188
Expenses	(17,188)	-	(17,188)
Release of restriction	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$ -	\$ -	\$ -
Investment			
Beginning of year	\$ 42,661	\$ 1,358,924	\$ 1,401,585
Investment income	-	49,777	49,777
Net gains/(losses)	-	(276,586)	(276,586)
Release of restriction	<u>17,188</u>	<u>(17,188)</u>	<u>-</u>
Subtotal	\$ <u>59,849</u>	\$ <u>1,114,927</u>	\$ <u>1,174,776</u>
Endowment net assets, end of year	\$ <u>59,849</u>	\$ <u>1,114,927</u>	\$ <u>1,174,776</u>

NOTE 9: SCHOLARSHIP FUND

The Organization provides college scholarships to dependent children of military personnel who have been killed or permanently disabled as a result of an operational mission or training accident. One hundred percent of all monies donated to support the scholarship fund are used only for that purpose, and are not used to cover any of the cost to administer this program.

The Freedom Alliance
Notes to the Financial Statements
For the Year Ended December 31, 2022

NOTE 9: SCHOLARSHIP FUND (continued)

Unspent scholarship contributions are accounted for as net assets with donor restrictions. Since many of the children who may eventually benefit from this program are still young, the excess contributions are invested to build a funding base to help ensure that scholarships are available for these children in the future.

Changes in scholarship fund net assets as of December 31, 2022 are as follows:

	Board <u>Designated</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Beginning of year	\$15,625,115	\$16,672,937	\$32,298,052
Contributions	-	2,072,592	2,072,592
Investment Income	672,533	-	672,533
Scholarships	-	(2,158,602)	(2,158,602)
Net Gains/(Losses)	<u>(4,459,594)</u>	-	<u>(4,459,594)</u>
End of year	<u>\$11,838,054</u>	<u>\$16,586,927</u>	<u>\$28,424,981</u>

NOTE 10: NET ASSETS

Net assets without donor restrictions:

Designated for scholarship program	\$ 11,838,054
Unrestricted, undesignated net assets	<u>11,222,862</u>
Total net assets without donor restrictions	<u>\$ 23,060,916</u>

Net assets with donor restrictions:

For scholarships	\$ 16,586,927
For Heroes to Homeowner's program	1,257,890
For Poppy's Wish Vacation program	110,972
Perpetual endowment for Poppy's Wish Vacation program	<u>1,003,955</u>
Total net assets with donor restrictions	<u>\$ 18,959,744</u>

Total net assets	<u>\$ 42,038,254</u>
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NOTE 11: PENSION PLAN

The Organization maintains a defined contribution pension plan under IRS Code Section 403(B). The Organization contributes a match of up to 5% of an employee's salary. Contributions totaling \$51,172 for the year ended December 31, 2022 were made by the Organization, in addition to the elective deferrals made by employees.

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Notes to the Financial Statements
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NOTE 12: ALLOCATION OF JOINT EXPENSES WITH A FUNDRAISING COMPONENT

In 2022, the Organization conducted activities that included requests for contributions as well as program components. Those activities included ongoing direct mail and email campaigns. The cost of conducting those activities included a total of \$1,312,613 of joint costs for the year ended December 31, 2022. The direct mail program supports the Organization's public policy educational outreach activities.

Cost allocated to programs	\$ 1,174,726
Cost allocated to fundraising	<u>137,887</u>
Total Costs	<u>\$ 1,312,613</u>

NOTE 13: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following table reflects the Organization's financial assets as of December 31, 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or internal board designations.

Financial Assets at year-end:	
Cash	\$ 14,363,599
Investments	25,532,390
Receivables	<u>1,256,874</u>
Total Financial Assets	\$ 41,152,863

Financial Assets limited to use:	
Donor Restricted	\$(18,959,744)
Board Designated	(11,838,054)
Split-Interest Agreement Annuities	<u>(15,720)</u>
Total Financial Assets limited to use	<u>\$(30,813,518)</u>

Financial Assets available to meet cash needs for general expenditures within one year:	<u>\$ 10,339,345</u>
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The Freedom Alliance
Notes to the Financial Statements
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NOTE 14: IN-KIND DONATIONS

The Organization received the following in-kind donations during the year ended December 31, 2022:

<u>In-Kind Donations</u>	<u>Valuation</u>	<u>Restriction</u>	<u>How Used</u>
Advertising	\$ 113,225	None	Utilized
Troop Gifts	<u>1,268,054</u>	SOT Program	Utilized
Total In-Kind Donations reported on statement of activities:	<u>\$ 1,381,279</u>		
 Auction Items	 <u>\$ 276,960</u>	 SOT Program	 Monetized
Total In-Kind Donations reported as Contributions:	<u>\$ 276,960</u>		

The Organization received in-kind advertising to advertise program activities, valued at the cost of those advertisements.

The Organization received various donations, such as cars, vacation packages, and gift cards to be used as troop gifts in its Support Our Troops program. The value is based on the average selling price from third-party vendors for similar items.

The Organization received various donations to be auctioned in support of its Support Our Troops program. These donations were auctioned and amounts received were recorded as contributions in the statement of activities.

NOTE 15: LEASES

The Organization has long-term operating leases for office space and equipment. The leases have remaining lease terms of 1 to 2 years. In accordance with Topic 842, the Organization allocated the consideration in the office space contract to the lease (office rent) and non-lease (operating costs) components, which was allocated based on observable standalone prices in the contract. The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less.

Additional information about the Organization's leases is as follows:

Operating Lease cost (included in rent expense)	\$ 87,783
Operating Lease cost (included in equipment rental)	3,675
Short-term Lease cost (including in rent expense)	<u>6,204</u>
Total Operating Lease cost	<u>\$ 97,662</u>
 Weighted Average Remaining Lease Term – Operating Leases	 1 year
Weighted Average Discount Rate – Operating Leases	3.23%

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Notes to the Financial Statements
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NOTE 15: LEASES (continued)

The maturities of lease liabilities as for December 31, 2022 were as follows:

Year Ending December 31 st :	
2023	\$ 53,972
2024	3,675
2025	<u>919</u>
Total Lease Payments	\$ 58,566
Less Interest	<u>(739)</u>
Present Value of Lease Liability	<u>\$ 57,827</u>

The operating lease asset and liability were calculated utilizing the risk-free discount rate, according to the Organization’s elected policy.

NOTE 16: CHANGE IN ACCOUNTING PRINCIPLES

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Organization elected to adopt these ASUs effective January 1, 2022 and utilized all of the available practical expedients. The adoption had a material impact on the Organization’s statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities. Adoption of the standard required the Organization to restate amounts as of January 1, 2022, resulting in an increase in operating lease ROU assets and operating lease liabilities of \$146,741.

NOTE 17: SUMMARIZED COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2021, from which the summarized information was derived.

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NOTE 18: SUBSEQUENT EVENTS

In May 2023, the Organization purchased a building to house its offices for \$1,850,000.

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through July 31, 2023, the date on which the financial statements were available to be issued.