

THE FREEDOM ALLIANCE

**Consolidated Financial Statements for the Year Ended December 31, 2023
And Independent Auditors' Report
Dated June 4, 2024**

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

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Cash Flows	5
Consolidated Statement of Functional Expenses	6
Notes to the Financial Statements	7-17



Jennifer S. Burke, CPA PLLC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Freedom Alliance
Winchester, Virginia

Opinion

We have audited the accompanying consolidated financial statements of The Freedom Alliance (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Freedom Alliance as of December 31, 2023, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

 Jennifer S. Burke CPA PLLC

Jennifer S. Burke CPA PLLC

Manassas, Virginia

June 4, 2024

The Freedom Alliance
Consolidated Statement of Financial Position
As of December 31, 2023
(With Comparative Totals as of December 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 6,746,979	\$ 14,363,599
Accounts Receivable	17,751	6,874
Contributions Receivable	20,000	1,250,000
Prepayments and Other Assets	<u>90,204</u>	<u>99,759</u>
Total Current Assets	6,874,934	15,720,232
Property and Equipment		
Furniture and Equipment	110,386	121,287
Buildings and Building Improvements	2,446,168	-
Accumulated Depreciation	(133,471)	(119,279)
Right-Of-Use Assets	11,617	146,741
Accumulated Amortization	<u>(7,074)</u>	<u>(88,003)</u>
Total Property and Equipment	2,427,626	60,746
Other Assets		
Investments	34,032,147	25,532,390
Property Held for Donation	1,087,980	356,990
Refundable Advance Asset	<u>771,000</u>	<u>900,900</u>
Total Other Assets	<u>35,891,127</u>	<u>26,790,280</u>
TOTAL ASSETS	<u><u>45,193,687</u></u>	<u><u>42,571,258</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Payroll and Payroll Taxes Payable	107,492	103,577
Accounts Payable	223,229	350,698
Lease Liability - Current	3,627	53,284
Unearned Revenues	<u>-</u>	<u>5,182</u>
Total Current Liabilities	334,348	512,741
Other Liabilities		
Annuities	84,090	15,720
Lease Liability - Long Term	<u>916</u>	<u>4,543</u>
Total Other Liabilities	<u>85,006</u>	<u>20,263</u>
TOTAL LIABILITIES	419,354	533,004
Net Assets		
Without Donor Restrictions	25,304,146	23,078,510
With Donor Restrictions	<u>19,470,187</u>	<u>18,959,744</u>
Total Net Assets	<u>44,774,333</u>	<u>42,038,254</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 45,193,687</u></u>	<u><u>\$ 42,571,258</u></u>

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

The Freedom Alliance
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Contributions and Revenues				
Contributions	\$ 6,690,999	\$ 3,131,358	\$ 9,822,357	\$ 8,834,528
In-Kind Donations	1,506,532	-	1,506,532	1,381,279
Investment Income, net of expenses	986,851	154,455	1,141,306	(3,555,826)
Registration Fees & Sponsorships	174,500	-	174,500	262,800
Gain/(Loss) on Disposal of Property	115,100	-	115,100	243,654
List Rental Income	107,765	-	107,765	79,780
Miscellaneous Income	3,895	-	3,895	9,138
Loss in Value - Split Interest Agreement	(104,870)	-	(104,870)	(1,567)
Net Assets Released from Restriction	<u>2,775,370</u>	<u>(2,775,370)</u>	<u>-</u>	<u>-</u>
Total Contributions and Revenues	12,256,142	510,443	12,766,585	7,253,786
Expenses				
Program Expenses				
Restricted Programs	6,788,601	-	6,788,601	6,856,136
General Programs	<u>2,041,876</u>	<u>-</u>	<u>2,041,876</u>	<u>2,633,450</u>
Total Program Expense	8,830,477	-	8,830,477	9,489,586
General and Administrative Expenses	290,278	-	290,278	258,883
Fundraising Expenses	<u>909,751</u>	<u>-</u>	<u>909,751</u>	<u>895,602</u>
Total Support Services	1,200,029	-	1,200,029	1,154,485
Total Expenses	<u>10,030,506</u>	<u>-</u>	<u>10,030,506</u>	<u>10,644,071</u>
Change in Net Assets	2,225,636	510,443	2,736,079	(3,390,285)
Net Assets, Beginning of Year	<u>23,078,510</u>	<u>18,959,744</u>	<u>42,038,254</u>	<u>45,428,539</u>
Net Assets, End of Year	<u>\$ 25,304,146</u>	<u>\$ 19,470,187</u>	<u>\$ 44,774,333</u>	<u>\$ 42,038,254</u>

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

The Freedom Alliance
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 2,736,079	\$ (3,390,285)
Adjustments to reconcile Change in Net Assets to Cash used by Operating Activities:		
Depreciation	33,521	2,688
Donated Assets	(563,795)	-
Unrealized (Gain)/Loss on Investments	(820,859)	4,297,220
Loss in Value - Split Interest Agreement	104,870	1,567
(Increase) / Decrease in:		
Receivables	1,219,123	(1,239,436)
Prepayments and Other Assets	9,555	8,106
Donated Property Held for Sale/Donation	(730,990)	(109,090)
Refundable Advance Asset	129,900	127,100
Right of Use Assets, net	54,195	(58,738)
Increase / (Decrease) in:		
Accounts Payable	(127,468)	111,049
Payroll Liabilities	3,915	29,086
Lease Liabilities	(53,284)	57,827
Unearned Revenues	<u>(5,182)</u>	<u>5,182</u>
Net Cash provided / (used) by Operations	1,989,580	(157,724)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(38,752,169)	(8,723,903)
Sale of Investments	31,073,271	13,571,390
Purchase of Property and Equipment	<u>(1,890,802)</u>	<u>-</u>
Net Cash provided / (used) by Investing Activities	(9,569,700)	4,847,487
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Annuity Obligations	<u>(36,500)</u>	<u>(36,500)</u>
Net Cash used by Investing Activities	<u>(36,500)</u>	<u>(36,500)</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	(7,616,620)	4,653,263
Cash and Cash Equivalents, Beginning of Year	<u>14,363,599</u>	<u>9,710,336</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,746,979</u>	<u>\$ 14,363,599</u>
 Interest Paid	 <u>\$ 2,013</u>	 <u>\$ 1,788</u>

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

The Freedom Alliance
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2023
(With Comparative Totals for the Year Ended December 31, 2022)

	Restricted Programs	General Programs	Total Programs	General and Administrative	Fundraising	Total Support Services	Total 2023	Total 2022
Grants and Contributions	\$ 4,833,931	\$ 26,486	\$ 4,860,417	\$ 975	\$ -	\$ 975	\$ 4,861,392	\$ 4,995,799
Salaries and Benefits	923,489	757,957	1,681,446	67,312	174,455	241,767	1,923,213	1,759,986
Professional Fees	302,866	260,692	563,558	132,300	235,265	367,565	931,123	1,000,793
Events and Conferences	345,096	293,045	638,141	17,896	49,881	67,777	705,918	714,724
Printing and Reproduction	75,760	248,091	323,851	10,098	129,671	139,769	463,620	737,136
Postage and Delivery	49,182	262,856	312,038	5,976	75,558	81,534	393,572	643,187
Consulting	32,086	-	32,086	-	179,900	179,900	211,986	167,800
List Rental	20,579	66,893	87,472	40	14,491	14,531	102,003	185,415
Repairs and Maintenance	39,601	32,503	72,104	4,106	7,481	11,587	83,691	-
Rent	32,514	26,299	58,813	2,255	5,843	8,098	66,911	107,999
Bank Fees and Interest Expense	1	6,258	6,259	32,001	18,586	50,587	56,846	65,827
Marketing	44,690	2,482	47,172	-	-	-	47,172	50,476
Supplies	20,336	14,941	35,277	3,029	3,461	6,490	41,767	32,869
Depreciation Expense	19,828	10,382	30,210	922	2,389	3,311	33,521	2,688
Taxes and Licenses	2,393	1,964	4,357	8,721	5,579	14,300	18,657	6,898
Business Insurance	9,656	6,369	16,025	836	1,466	2,302	18,327	9,665
Donated Goods and Services	13,569	3,342	16,911	-	-	-	16,911	113,226
Telephone	7,007	5,751	12,758	511	1,324	1,835	14,593	15,157
Dues and Subscriptions	5,017	4,482	9,499	1,380	2,310	3,690	13,189	15,628
Utilities	4,901	3,960	8,861	352	911	1,263	10,124	-
Equipment Rental	1,674	5,482	7,156	122	821	943	8,099	6,941
Miscellaneous	4,425	1,641	6,066	1,446	359	1,805	7,871	11,857
Total	\$ 6,788,601	\$ 2,041,876	\$ 8,830,477	\$ 290,278	\$ 909,751	\$ 1,200,029	\$ 10,030,506	\$ 10,644,071

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

The Freedom Alliance
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

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 Presentation - The consolidated financial statements include the accounts of Tee Box Limitada SRL, a wholly-owned subsidiary. All inter-organization balances and transactions are eliminated.

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.

The Freedom Alliance
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2023, the uninsured portion of this balance was \$435,619. 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, 2023.

Registration Fees - Registration Fees are recognized when the events take place.

Fixed Assets - Acquisitions of furniture and equipment in excess of \$1,000 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. Buildings and building improvements are depreciated over 39

The Freedom Alliance
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

years. Repairs and maintenance expenditures that do not extend the useful life of an asset are expensed as incurred.

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.

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, 2023 are as follows:

Checking/Savings	\$ 1,001,919
Cash held by investment managers	<u>5,722,560</u>
Totals	<u>\$ 6,746,979</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, 2023 is \$1,087,980.

The Freedom Alliance
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

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 activity for 2023 is as follows:

Beginning of Year	\$ 900,900
Released from conditions	<u>(129,900)</u>
End of Year	<u>\$ 771,000</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, 2023 that are derived from split-interest agreements are as follows:

Cash and cash equivalents	\$ 143,201
Investments	<u>192,265</u>
Total Assets	<u>\$ 335,466</u>
Annuities	<u>\$ 84,090</u>
Total Liabilities	<u>\$ 84,090</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:

The Freedom Alliance
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

NOTE 7: INVESTMENTS (continued)

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

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, 2023.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$12,384,592	\$ -	\$ -	\$12,384,592
Stocks	5,232,015	-	-	5,232,015
Corporate Fixed Income	1,938,582	-	-	1,938,582
Gov't Securities	13,138,467	-	-	13,138,467
ETFs & CEFs	<u>979,501</u>	-	-	<u>979,501</u>
Total	<u>\$33,673,157</u>	\$ -	\$ -	<u>\$33,673,157</u>
Investment in private investment company	\$ -	\$ -	\$ -	<u>\$ 358,990</u>
Total Investments	<u>\$33,673,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$34,032,147</u>

Investment income consists of the following for the year ended December 31, 2023:

Interest and Dividends	\$ 782,390
Realized Gains / (Losses)	(283,882)
Unrealized Gains / (Losses)	820,859
Net of Investment Expenses	<u>(178,061)</u>
Total	<u>\$ 1,141,306</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

The Freedom Alliance
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

NOTE 8: ENDOWMENT FUND (continued)

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 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, 2023 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	21,694	-	21,694
Expenses	(21,694)	-	(21,694)
Release of restriction	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	\$ -	\$ -	\$ -
Investment			
Beginning of year	\$ 59,849	\$ 1,114,927	\$ 1,174,776
Investment income	-	39,291	39,291
Transfer	(60,000)	-	(60,000)
Net gains/(losses)	-	115,164	115,164
Release of restriction	<u>21,694</u>	<u>(21,694)</u>	<u>-</u>
Subtotal	<u>\$ 21,543</u>	<u>\$ 1,247,688</u>	<u>\$ 1,269,231</u>
Endowment net assets, end of year	<u>\$ 21,543</u>	<u>\$ 1,247,688</u>	<u>\$ 1,269,231</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

The Freedom Alliance
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

NOTE 9: SCHOLARSHIP FUND (continued)

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. 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, 2023 are as follows:

	Board <u>Designated</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Beginning of year	\$11,838,054	\$16,586,927	\$28,424,981
Contributions	-	2,289,386	2,289,386
Investment Income	551,204	-	551,204
Scholarships	-	(2,617,029)	(2,617,029)
Net Gains/(Losses)	<u>638,125</u>	<u>-</u>	<u>638,125</u>
End of year	<u>\$13,027,383</u>	<u>\$16,259,284</u>	<u>\$29,286,667</u>

NOTE 10: NET ASSETS

Net assets without donor restrictions:

Designated for scholarship program	\$ 13,027,383
Unrestricted, undesignated net assets	<u>12,276,763</u>
Total net assets without donor restrictions	<u>\$ 25,304,146</u>

Net assets with donor restrictions:

For scholarships	\$ 16,259,284
For Support our Troops program	104,235
For Heroes to Homeowner's program	1,858,980
For Poppy's Wish Vacation program	243,733
Perpetual endowment for Poppy's Wish Vacation program	<u>1,003,955</u>
Total net assets with donor restrictions	<u>\$ 19,470,187</u>

Total net assets	<u>\$ 44,774,333</u>
------------------	----------------------

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 \$54,249 for the year ended December 31, 2023 were made by the Organization, in addition to the elective deferrals made by employees.

The Freedom Alliance
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

NOTE 12: ALLOCATION OF JOINT EXPENSES WITH A FUNDRAISING COMPONENT

In 2023, 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 \$958,211 of joint costs for the year ended December 31, 2023. The direct mail program supports the Organization’s public policy educational outreach activities.

Cost allocated to programs	\$ 822,108
Cost allocated to fundraising	<u>136,103</u>
Total Costs	<u>\$ 958,211</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, 2023, 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	\$ 6,746,979
Investments	34,032,147
Receivables	<u>37,751</u>
Total Financial Assets	\$ 40,816,877

Financial Assets limited to use:	
Donor Restricted	\$(19,470,187)
Board Designated	(13,027,383)
Split-Interest Agreement Annuities	<u>(84,090)</u>
Total Financial Assets limited to use	<u>\$(32,581,660)</u>

Financial Assets available to meet cash needs for general expenditures within one year:	<u>\$ 8,235,217</u>
---	---------------------

The Freedom Alliance
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

NOTE 14: IN-KIND DONATIONS

The Organization received the following in-kind donations during the year ended December 31, 2023:

<u>In-Kind Donations</u>	<u>Valuation</u>	<u>Restriction</u>	<u>How Used</u>
Advertising	\$ 4,925	None	Utilized
Event Space and Supplies	11,987	None	Utilized
Equipment	3,795	None	Utilized
Condominium (see Note 16)	560,000	None	Utilized
Troop Gifts	<u>925,825</u>	SOT Program	Utilized
Total In-Kind Donations reported on statement of activities:	<u>\$ 1,506,532</u>		
 Auction Items	 <u>\$ 464,216</u>	 SOT Program	 Monetized
Total In-Kind Donations reported as Contributions:	<u>\$ 464,216</u>		

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

The Organization received supplies and use of space for program events, valued at the cost of the supplies and space.

The Organization received office equipment, valued at the cost of the equipment.

The Organization received a condominium for use in primarily program activities, valued at the average selling price of comparable condominiums. See Note 16.

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 had long-term operating leases for office space and equipment during 2023. The lease for office space ended in July 2023. The equipment lease has a remaining lease term of 1.25 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.

The Freedom Alliance
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

NOTE 15: LEASES (continued)

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

Operating Lease cost (included in rent expense)	\$ 61,282
Operating Lease cost (included in equipment rental)	3,675
Short-term Lease cost (including in rent expense)	<u>3,702</u>
Total Operating Lease cost	<u>\$ 68,658</u>
Weighted Average Remaining Lease Term – Operating Leases	1 year
Weighted Average Discount Rate – Operating Leases	1.67%

The maturities of lease liabilities as for December 31, 2023 were as follows:

Year Ending December 31 st :	
2024	\$ 3,675
2025	<u>919</u>
Total Lease Payments	\$ 4,594
Less Interest	<u>(51)</u>
Present Value of Lease Liability	<u>\$ 4,543</u>

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

NOTE 16: FOREIGN OPERATIONS

In July 2023, a donation of a condominium was made to the Organization via transferring 100% ownership, to the Organization, of a corporation, Tee Box Limitada, SRL, that owns the condominium.

This wholly owned for-profit subsidiary, Tee Box Limitada SRL, is in Costa Rica. As of December 31, 2023, the only asset of the subsidiary is the condominium totaling \$552,821, net of depreciation. There were no liabilities or revenues in 2023.

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, 2022, from which the summarized information was derived. Certain 2022 amounts have been reclassified to conform with the 2023 financial statement presentation.

The Freedom Alliance
Notes to the Consolidated Financial Statements
For the Year Ended December 31, 2023

NOTE 18: SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through June 4, 2024, the date on which the financial statements were available to be issued.