

FREEDOM
FROM RELIGION
foundation

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended December 31, 2021

FREEDOM FROM RELIGION FOUNDATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Executive Board of Directors
Freedom from Religion Foundation, Inc.
Madison, Wisconsin

Opinion

We have audited the accompanying financial statements of Freedom From Religion Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, 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 Freedom From Religion Foundation, Inc. as of December 31, 2021, 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 Freedom From Religion Foundation, Inc. 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 Freedom From Religion Foundation, Inc.'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 Freedom From Religion Foundation, Inc.'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 Freedom From Religion Foundation, Inc.'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.

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
July 7, 2022

FINANCIAL STATEMENTS

FREEDOM FROM RELIGION FOUNDATION, INC.
Madison, Wisconsin

STATEMENT OF FINANCIAL POSITION

December 31, 2021

ASSETS

| | |
|---------------------------------------|-----------------------------|
| <u>Current Assets</u> | |
| Cash and Cash Equivalents | \$ 843,582 |
| Promises to Give | 381,210 |
| Prepays | 1,477,807 |
| Inventory | <u>167,811</u> |
| Total Current Assets | <u>2,870,410</u> |
| <u>Fixed Assets</u> | |
| Land | 750,337 |
| Buildings and Improvements | 3,940,541 |
| Furniture and Equipment | 443,544 |
| Vehicle | 37,604 |
| Less: Accumulated Depreciation | <u>(1,107,920)</u> |
| Net Fixed Assets | <u>4,064,106</u> |
| <u>Other Assets</u> | |
| Investments Measured at Fair Value | 18,360,010 |
| Investments - Certificates of Deposit | <u>688,182</u> |
| Total Other Assets | <u>19,048,192</u> |
| TOTAL ASSETS | <u><u>\$ 25,982,708</u></u> |

LIABILITIES AND NET ASSETS

| | |
|--|-----------------------------|
| <u>Current Liabilities</u> | |
| Accounts Payable | \$ 67,776 |
| Accrued Payroll | <u>195,373</u> |
| Total Current Liabilities | <u>263,149</u> |
| <u>Net Assets</u> | |
| Net Assets Without Donor Restrictions: | |
| Designated | 8,704,990 |
| Net Investment in Property and Equipment | 4,064,106 |
| Undesignated | <u>10,491,540</u> |
| | 23,260,636 |
| Net Assets with Donor Restrictions | <u>2,458,923</u> |
| Total Net Assets | <u>25,719,559</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 25,982,708</u></u> |

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

FREEDOM FROM RELIGION FOUNDATION, INC.
Madison, Wisconsin

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

| | Net Assets without Donor Restrictions | Net Assets with Donor Restrictions | Total |
|--|---|--|----------------------|
| <u>Revenue, Gains, and Other Support</u> | | | |
| Convention Income | \$ 132,250 | \$ - | \$ 132,250 |
| Donations | 3,928,518 | 269,932 | 4,198,450 |
| Bequests | 1,662,782 | - | 1,662,782 |
| Donations - Combined Federated Campaign | 38,501 | - | 38,501 |
| Student Activist Donations | - | 114,415 | 114,415 |
| Legal Fund Donations | - | 210,885 | 210,885 |
| Grants | 21,688 | - | 21,688 |
| Membership Dues | 1,695,134 | - | 1,695,134 |
| Miscellaneous | 48,118 | - | 48,118 |
| Sales | 163,729 | - | 163,729 |
| Investment Income (Loss) | 1,994,504 | 168,175 | 2,162,679 |
| Subtotal | <u>9,685,224</u> | <u>763,407</u> | <u>10,448,631</u> |
| Net assets released from donor restriction | <u>602,406</u> | <u>(602,406)</u> | <u>-</u> |
| Total Revenue, Gains, and Other Support | <u>10,287,630</u> | <u>161,001</u> | <u>10,448,631</u> |
| <u>Expenses</u> | | | |
| Program | 7,783,256 | - | 7,783,256 |
| Management and General | 560,685 | - | 560,685 |
| Fundraising | 97,771 | - | 97,771 |
| Total Expenses | <u>8,441,712</u> | <u>-</u> | <u>8,441,712</u> |
| Change in Net Assets | 1,845,918 | 161,001 | 2,006,919 |
| Net Assets at Beginning of Year | <u>21,414,718</u> | <u>2,297,922</u> | <u>23,712,640</u> |
| Net Assets at End of Year | <u>\$ 23,260,636</u> | <u>\$ 2,458,923</u> | <u>\$ 25,719,559</u> |

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

FREEDOM FROM RELIGION FOUNDATION, INC.
Madison, Wisconsin

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

| <u>EXPENSES</u> | Program Services | Management and General | Fundraising | Total |
|------------------------------------|---------------------|---------------------------|------------------|---------------------|
| Salaries and Wages | \$ 1,828,369 | \$ 182,837 | \$ 20,315 | \$ 2,031,521 |
| Employee Benefits | 486,015 | 48,601 | 5,400 | 540,016 |
| Payroll Taxes | 137,677 | 13,768 | 1,530 | 152,975 |
| Radio Expense | 11,080 | - | - | 11,080 |
| Video - TV/Film | 14,136 | - | - | 14,136 |
| Advertising and Promotion | 2,530,200 | - | - | 2,530,200 |
| Legal | 94,295 | 31,602 | - | 125,897 |
| Convention Expense | 243,014 | - | - | 243,014 |
| Regional Meeting | 12,200 | - | - | 12,200 |
| Accounting Fees | - | 6,059 | - | 6,059 |
| Auto | 226 | 226 | - | 451 |
| Building Maintenance | 32,042 | 8,010 | - | 40,052 |
| Broadcasting | 897,770 | - | - | 897,770 |
| Chapter Expense | 27,613 | 4,936 | - | 32,549 |
| Depreciation | 112,118 | 28,030 | - | 140,148 |
| Dues, Subscriptions, and Donations | 117,920 | 17,620 | - | 135,540 |
| Equipment and Maintenance | 7,038 | 24,952 | - | 31,990 |
| Executive Board | - | 15,179 | - | 15,179 |
| Freethought Today | 48,549 | - | - | 48,549 |
| Insurance | 31,946 | 7,986 | - | 39,932 |
| Items for Resale | 78,595 | - | - | 78,595 |
| Internet | 150,555 | - | - | 150,555 |
| Miscellaneous | 1,120 | 39,299 | - | 40,419 |
| Banking Fees | - | 76,964 | - | 76,964 |
| Office Expense | 11,250 | 2,813 | 9,376 | 23,439 |
| Scholarships, Grants and Awards | 281,511 | - | - | 281,511 |
| Postage and Shipping | 134,065 | 33,516 | 8,820 | 176,401 |
| Printing | 46,271 | 11,568 | 52,330 | 110,169 |
| Library Project | 87 | - | - | 87 |
| Lobbying | 49,233 | - | - | 49,233 |
| Telephone | 12,905 | 3,226 | - | 16,131 |
| Travel | 35,164 | - | - | 35,164 |
| Utilities | 13,978 | 3,494 | - | 17,472 |
| Godless Gospel Project | 12,178 | - | - | 12,178 |
| Special Projects | 324,136 | - | - | 324,136 |
| Total Expenses | \$ 7,783,256 | \$ 560,685 | \$ 97,771 | \$ 8,441,712 |

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

FREEDOM FROM RELIGION FOUNDATION, INC.
Madison, Wisconsin

STATEMENT OF CASH FLOW
For the Year Ended December 31, 2021

Cash Flows from Operating Activities

| | |
|--|--------------|
| Increase (Decrease) in Net Assets | \$ 2,006,919 |
| Adjustments to reconcile increase(decrease) in net assets to net cash provided (used) by operating activities: | |
| Depreciation | 140,148 |
| Proceeds from donations restricted for long-term investment | (100,000) |
| Donated securities | (408,270) |
| Proceeds from sale of donated securities | 5,005 |
| (Gain)/loss on sale of assets | (33,993) |
| Realized (gains)/losses on investments | (641,285) |
| Unrealized (gains)/losses on investments | (971,250) |
| Changes in operating assets and liabilities: | |
| Promise to give | (294,943) |
| Inventory | 976 |
| Prepays | (499,690) |
| Accounts payable | (56,595) |
| Accrued payables | (13,549) |
| Net cash provided (used) by operating activities | (866,527) |

Cash Flows from Investing Activities

| | |
|---|-----------|
| Acquisition of fixed assets | (14,965) |
| Proceeds from sale of fixed assets | 70,054 |
| Purchases of investments | (648,202) |
| Sales of investments | 1,139,880 |
| Net cash provided(used) by investing activities | 546,767 |

Cash Flows of Financing Activities

| | |
|---|---------|
| Proceeds from donations restricted for long-term investment | 100,000 |
| Net cash provided(used) by financing activities | 100,000 |

| | |
|---------------------------------|------------|
| Net (Decrease) Increase in cash | (219,760) |
| Cash at beginning of year | 1,063,342 |
| Cash at end of year | \$ 843,582 |

Supplemental disclosure of noncash investing activities

During 2021, the Foundation received donated securities valued at \$599,448.

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

NOTES TO FINANCIAL STATEMENTS

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Freedom from Religion Foundation, Inc. (the “Foundation”) operates for the promotion of the constitutional principle of separation of state and church, to educate the public relating to nontheism and to continue encouraging freethinking with awards to students and other activists.

Method of Accounting

The Foundation utilizes the accrual method of accounting for financial statement reporting. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments measured at fair value consist of equity securities, debt securities, money market accounts, and mutual funds. Other investments consist of certificates of deposit and are measured at cost. See Notes 3 and 4 for further information.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. As of December 31, 2021, all unconditional promises to give are expected to be collected within one year. Any allowance for uncollectable promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2021 there was no allowance for uncollectable promises to give.

Prepaid Expenses

Prepaid expenses consist of operating and programming fees paid in 2021 that will be charged to expenses in 2022.

Inventory

Inventories of merchandise purchased for resale such as books, shirts and CDs are stated at cost. Costs are determined on a first-in, first-out basis.

Fixed Assets

Fixed assets consist of land, buildings, furniture and equipment and vehicles with a cost, if purchased, or a fair market value, if donated, of more than \$5,000 and a useful life of more than one year. Depreciation expense is calculated on the straight-line basis over the estimated useful lives of the assets.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees accumulate accrued vacation in varying amounts based on years of service. Unused accrued vacation can be carried over to the following year and is paid out upon separation. As of December 31, 2021, the balance of accrued vacation of \$154,194 was included with accrued payroll on the statement of net position.

Income Taxes

The Foundation is a non-profit corporation and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Foundation has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(ii).

The Foundation's federal exempt organization tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, the Foundation is no longer subject to examinations for years before 2018.

Basis of Presentation and Net Assets

The Foundation utilizes the accrual method of accounting, whereby revenue is recognized when earned, and expenses are recognized when incurred. The Foundation's financial statements are prepared in accordance with professional standards. Under generally accepted accounting principles (GAAP), the Foundation 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:

Net assets without donor restrictions consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Foundation and include those expendable resources which have been designated for special use by the Foundation's Executive Board of Directors.

Net assets with donor restrictions consist of net assets that are subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit the Foundation's choices of when to use these resources.

Revenue Recognition

Revenue from sales of inventory are recognized when products are transferred to the purchaser. Revenue from ticket sales to the annual convention are recognized when the convention is held. Membership dues are not considered exchange transactions and are recognized as contribution revenues.

Contributions are recognized when cash, securities or other assets, and unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Foundation's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. As of December 31, 2021, no conditional promises to give were outstanding.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Salaries and related expenses are allocated to the various program and supporting services based on actual or estimated time employees spend on each function. The remaining expenses are specifically allocated whenever practical, or are allocated based on payroll.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Subsequent Events

Subsequent events have been evaluated through July 7, 2022, which represents the date the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

Concentration of Credit and Market Risk

Financial instruments that potentially subject the Foundation to concentrations of credit and market risk consist principally of cash equivalents and investments. The Foundation places its cash equivalents with financial institutions and limits the amount of credit exposure to any one financial institution. The Foundation's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the Foundation's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Interest Rate Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations of the stated interest rate. Most of the Foundation's Certificates of Deposit have maturities of one year or less.

Custodial Credit Risk is the risk that in the event of a bank failure, securities that are uninsured will not be returned to the Foundation.

The Foundation maintains deposits in excess of federally insured limits. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000 per institution. As of December 31, 2021, the Foundation's uninsured cash balances totaled \$87,994.

Cash and securities maintained through a registered securities dealer are insured up to \$500,000 by the Securities Investor Protection Corporation ("SIPC"). SIPC covers losses from fraud and negligence of the registered securities dealer, but not against market losses or investment return. Balances held in accounts may still at times exceed insured limits.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

3. INVESTMENTS

The Foundation invests in equity securities, debt securities, money market accounts, mutual funds, and inherited IRAs. Market risk could occur and is dependent on future changes in market prices of the various investments held. Investments held as of December 31, 2021 are comprised of the following:

| | <u>Fair Market Value</u> | <u>Cost</u> |
|------------------------------|--------------------------|----------------------|
| Money Market Accounts | \$ 461,133 | \$ 461,133 |
| Equity Securities | 2,860,610 | 908,383 |
| Bonds | 1,754,428 | 1,684,431 |
| Equity Mutual Funds | 727,359 | 515,324 |
| Mutual Fund Securities | 12,556,480 | 11,275,858 |
| Balance at December 31, 2021 | <u>\$ 18,360,010</u> | <u>\$ 14,845,129</u> |

Other investments consist of Certificates of Deposits. These investments are shown at cost.

Income from these investments for the year ended December 31, 2021 is summarized as follows:

| | |
|--|---------------------|
| | <u>2021</u> |
| Interest and dividends | \$ 550,145 |
| Net realized and unrealized gains (losses) | 1,612,534 |
| | <u>\$ 2,162,679</u> |

4. FAIR VALUE MEASUREMENT

In accordance with current authoritative accounting guidance, the Foundation discloses and recognizes the fair value of its assets using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The guidance establishes three levels of fair value hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3 – Unobservable inputs that are not corroborated by market data

An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does correspond to the Foundation's perceived risk of that investment.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

4. FAIR VALUE MEASUREMENT (Continued)

The following tables summarize the valuation of the Foundation's financial assets measured and recorded at fair value on a recurring basis at December 31, 2021 based on the input utilized to measure fair value:

| <u>December 31, 2021</u> | <u>Fair Value</u> | Fair Value Measurements Using: | | |
|--------------------------|----------------------|--------------------------------|---------------------|----------------|
| | | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Money Market Accounts | \$ 461,133 | \$ 461,133 | \$ - | \$ - |
| Equity Securities | 2,860,610 | 2,860,610 | - | - |
| Bonds | 1,754,428 | - | 1,754,428 | - |
| Equity Mutual Funds | 727,359 | 727,359 | - | - |
| Mutual Fund Securities | 12,556,480 | 12,556,480 | - | - |
| Total | \$ 18,360,010 | \$ 16,605,582 | \$ 1,754,428 | \$ - |

Level 1 Fair Value Measurements

The fair values of money market accounts, bond mutual funds, equity securities, equity mutual funds, other mutual fund securities, and real estate investment trusts are based on the closing price reported on the active market where the individual securities are traded.

Level 2 Fair Value Measurements

The value of bonds is based on quoted prices for similar assets traded on an active market.

5. ENDOWMENTS

The Foundation's endowment is composed of one donor-restricted funds, one board-designated fund, and one fund with a mix of board-designated and donor-restricted funds. The donor-restricted funds are subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. Accordingly, the Foundation classifies the original value of the gifts made to such endowment as the amount it must maintain in perpetuity.

Endowment Net Asset Composition by Type of Fund as of December 31, 2021

| | <u>Board-Designated Endowment Funds</u> | <u>Donor Restricted Endowment Funds</u> | <u>Total</u> |
|--|---|---|--------------------|
| Life Member Reserves | \$ 4,139,316 | \$ - | \$4,139,316 |
| FFRF Endowment | 500,000 | 263,038 | 763,038 |
| Henry H. Zumach Freedom From Fundamentalist Religion Award Fund | - | 817,071 | 817,071 |
| Total Funds | \$ 4,639,316 | \$ 1,080,109 | \$5,719,425 |

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

5. ENDOWMENTS (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2021

| | Board-Designated Endowment Funds | Donor Restricted Endowment Funds | Total |
|---|-------------------------------------|-------------------------------------|--------------------|
| Endowment net assets, beginning of year | \$ 4,345,033 | \$ 812,143 | \$5,157,176 |
| Investment return: | | | |
| Investment Income | 1,483 | 168,175 | 169,658 |
| Contributions | 292,800 | 110,280 | 403,080 |
| Amounts appropriated for expenditure | - | (10,489) | (10,489) |
| Other Changes | - | - | - |
| Endowment net assets, end of year | <u>\$ 4,639,316</u> | <u>\$ 1,080,109</u> | <u>\$5,719,425</u> |

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include both Executive Board of Directors designated funds and permanently restricted funds. Under this policy, as approved by the Executive Board of Directors, the designated endowment assets are invested in a manner that is intended to produce a prudent realization while preserving the principal. The permanently restricted assets are invested to achieve preservation of the principal to allow distribution of income for designated uses consistent with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by Wisconsin. The designated endowment assets are primarily invested in Certificates of Deposit, mutual funds, equity securities, and money market accounts. Donor-restricted endowment assets are invested in mutual funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives of the Life Member Reserve and the FFRF Endowment amounts are invested in accordance with the Foundation's financial management policy. This policy calls for a target allocation of 60% equity investments and 40% fixed income and cash investments. The target allocation establishes allowable ranges for each investment class as follows:

- Money Market Funds: Minimum 1%; Maximum 30% of total assets
- Equity Investments: Minimum 40%; Maximum 70% of total assets
- Fixed Income Investments: Minimum 30%; Maximum 60% of total assets

The goal of the total return fund is to achieve a total return (income and appreciation) of 5% after inflation, over a full market cycle of three to five years. Equity investments may be invested in mutual funds that have expense ratios consistent with other funds of similar investment styles as measured by the Lipper and/or Morningstar rating services. Fixed income investments must be rated BBB or higher by Standard & Poor's and Baa or higher by Moody's. In accordance with the endowment agreement, The Henry H. Zumach Freedom From Fundamentalism Religion Award Fund is invested in a low management fee S&P 500 stock index fund with a target rate of return of 5%.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

5. ENDOWMENTS (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

Income from the Life Member Reserve may be used to promote the constitutional principle of separation of church and state, and to educate the public on matters related to nontheism through an Executive Board of Directors vote. No distribution of principal is allowed except for special or unusual circumstances and requires an affirmative vote of three-fourths of the members of the Executive Board of Directors. Income from the FFRF Endowment may be used at the Executive Board of Director's discretion to further the exempt purpose of the Foundation. Income from The Henry H. Zumach Freedom From Fundamentalist Religion Award Fund may be used annually to fund the award at the Executive Board of Director's discretion.

6. FIXED ASSETS AND DEPRECIATION

Fixed assets consist of land, building, furniture, equipment and a vehicle.

| | Land | Buildings | Vehicle | Furniture/ Equipment | Accumulated Depreciation |
|-------------------|-------------------|---------------------|------------------|-------------------------|-----------------------------|
| Balance at 1/1/21 | \$ 750,337 | \$ 4,057,288 | \$ 37,604 | \$ 436,352 | \$ 1,056,231 |
| Additions | - | - | - | 14,965 | - |
| Disposals | - | (116,747) | - | (7,773) | (88,459) |
| Depreciation | - | - | - | - | 140,148 |
| Balance 12/31/21 | <u>\$ 750,337</u> | <u>\$ 3,940,541</u> | <u>\$ 37,604</u> | <u>\$ 443,544</u> | <u>\$ 1,107,920</u> |

Depreciation expense for the year ended December 31, 2021 was \$140,148.

7. NET ASSETS WITHOUT DONOR RESTRICTIONS

At December 31, 2021 the Foundation has the following amounts which represent net assets without donor restrictions that have been designated for various purposes:

| | |
|-----------------------------------|---------------------|
| Legal | \$ 1,079,431 |
| Life Member Reserves | 4,139,316 |
| Building and Operations | 2,372,584 |
| Scholarships | 490,409 |
| Board Designated Endowment | 500,000 |
| Other | 123,250 |
| Total Board Designated Net Assets | <u>\$ 8,704,990</u> |

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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8. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2021 the Foundation has net assets with donor restrictions consisting of the following:

| | |
|--|--------------|
| Purpose Restrictions: | |
| Activist Awards | \$ 305,954 |
| Scholarships and Awards | 448,098 |
| Advertising and Education | 498,047 |
| Other | 26,715 |
| Subtotal | 1,278,814 |
| Amounts to be Maintained in Perpetuity: | |
| Endowments | 1,080,109 |
| Internships | 100,000 |
| Subtotal | 1,180,109 |
| Total Net Assets With Donor Restrictions | \$ 2,458,923 |

9. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Foundation monitors its liquidity so that it is able to meet its operating needs. The following table reflects the Foundation's financial assets as of December 31, 2021, reduced by amounts not available for general expenditure within one year. Financial assets are not considered available when not liquid or not convertible into cash within one year, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the board of directors has designated funds for specific reserves or long-term investments such as board-designated quasi-endowments. The board designated amounts could be used within one year if approved by the Executive Committee. The Foundation's investment policy places importance on liquidity of the investments. Accordingly, invested funds are deemed to be available for use within the next 12 months.

| | |
|--|--------------|
| Cash and cash equivalents | \$ 843,582 |
| Promises to give | 381,210 |
| Investments | 19,048,192 |
| Total financial assets, excluding noncurrent receivables | 20,272,984 |
| Less those unavailable for general expenditure within one year due to: | |
| Endowments and accumulated earnings subject to appropriation beyond one year | (1,080,109) |
| Other donor restrictions | (1,378,814) |
| Board-designations: | |
| Endowment | (500,000) |
| Operating reserves | (2,372,584) |
| Life member reserves | (4,139,316) |
| Other board designated amounts | (1,693,090) |
| Financial assets available to meet cash needs for expenditures within one year | \$ 9,109,071 |

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10. RETIREMENT PLAN

The Foundation established a 401(k)-defined contribution retirement plan effective May 1, 2016 for the benefit of all regular full-time employees who are a minimum of twenty-one years of age. Participating employees may elect to contribute, on a tax deferred basis, a portion of their compensation, in accordance with Section 401(k) of the Internal Revenue Code. The Foundation makes matching contributions at the discretion of the Board of Directors. Employees are fully vested after two years of employment. The Foundation made contributions of \$206,786 to the plan for the year ended December 31, 2021.

11. RELATED PARTY

The Thomas Paine Memorial Association, Inc. (“Association”) was incorporated during 2020. The Foundation has the power to appoint one member of the Association’s board of directors. During 2021 the Foundation made contributions of \$12,157 to the Association.

12. FUTURE ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) has approved the following:

- Accounting Standards Update (ASU) No. 2016-02, (Topic 842): *Leases*. For most entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2021.
- Accounting Standards Update (ASU) No. 2020-07, (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires presentation and disclosure of contributed nonfinancial assets received. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021.

When effective, application of these standards may restate portions of these financial statements.