



**JOHNSON BLOCK**  
**CPAs**

**FREEDOM  
FROM RELIGION**  
*foundation*

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

**For the Year Ended December 31, 2018**

**FREEDOM FROM RELIGION FOUNDATION, INC.**

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December 31, 2018

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Freedom from Religion Foundation, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statement of activities, functional expenses and of cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Freedom from Religion Foundation, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, effective January 1, 2018, Freedom from Religion Foundation, Inc. adopted provisions of FASB issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The accompanying supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
June 7, 2019

## **FINANCIAL STATEMENTS**

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**Madison, Wisconsin**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2018**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 880,202
Promises to Give	189,359
Other Receivables	17,606
Accrued Interest	18,630
Prepays	141,207
Inventory	154,543
	<hr/>
Total Current Assets	1,401,547
	<hr/>

Fixed Assets

Land and Work in Progress	763,425
Buildings and Improvements	3,971,119
Furniture and Equipment	415,912
Vehicle	37,604
Less: Accumulated Depreciation	(766,365)
	<hr/>
Net Fixed Assets	4,421,695
	<hr/>

Other Assets

Beneficial Interest in Assets Held by San Diego Foundation	38,469
Investments Measured at Fair Value	6,453,329
Investments - Other	3,925,908
	<hr/>
Total Other Assets	10,417,706
	<hr/>

TOTAL ASSETS	<u>\$ 16,240,948</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 68,662
Accrued Payroll	200,172
	<hr/>
Total Current Liabilities	268,834
	<hr/>

Net Assets

Net Assets Without Donor Restrictions:	
Designated	9,013,243
Net Investment in Property and Equipment	4,421,695
Undesignated	962,128
	<hr/>
	14,397,066
Net Assets with Donor Restrictions	1,575,048
	<hr/>
Total Net Assets	15,972,114
	<hr/>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,240,948</u>
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The accompanying notes are an integral part of the consolidated financial statements.

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**Madison, Wisconsin**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2018**

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
<u>Revenue</u>			
Convention Income	\$ 128,018	\$ -	\$ 128,018
Donations	2,202,061	189,321	2,391,382
Bequests	1,089,732	-	1,089,732
Donations - Combined Federated Campaign	50,496	-	50,496
Student Activist Donations	-	25,955	25,955
Legal Fund Donations	-	340,980	340,980
Membership Dues and Fees	1,309,830	-	1,309,830
Miscellaneous	62,240	-	62,240
Sales	86,618	-	86,618
Interest	32	-	32
Investment Income (Loss)	(289,591)	-	(289,591)
Subtotal	<u>4,639,436</u>	<u>556,256</u>	<u>5,195,692</u>
Net assets released from donor restriction	<u>771,402</u>	<u>(771,402)</u>	<u>-</u>
Total Revenue	5,410,838	(215,146)	5,195,692
<u>Expenses</u>			
Program	5,118,848	-	5,118,848
Management and General	493,359	-	493,359
Fundraising	<u>80,448</u>	<u>-</u>	<u>80,448</u>
Total Expenses	<u>5,692,655</u>	<u>-</u>	<u>5,692,655</u>
Change in Net Assets	(281,817)	(215,146)	(496,963)
Net Assets at Beginning of Year	<u>14,678,883</u>	<u>1,790,194</u>	<u>16,469,077</u>
Net Assets at End of Year	<u>\$ 14,397,066</u>	<u>\$ 1,575,048</u>	<u>\$ 15,972,114</u>

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

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**Madison, Wisconsin**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2018**

<u>EXPENSES</u>	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 1,487,264	\$ 160,321	\$ 2,280	\$ 1,649,865
Health Insurance/Retirement Benefits	336,601	36,284	516	373,401
Payroll Taxes	118,890	12,816	182	131,888
Radio Expense	7,642	-	-	7,642
Video - TV/Film	23,674	-	-	23,674
Advertising and Promotion	1,149,261	-	-	1,149,261
Legal	139,830	32,647	-	172,477
Convention Expense	289,872	-	-	289,872
Regional Meeting	26,899	-	-	26,899
Other Events	4,862	-	-	4,862
Accounting Fees	-	21,289	-	21,289
Auto	439	439	-	877
Building Maintenance	75,134	18,783	-	93,917
Broadcasting	374,572	-	-	374,572
Chapter Expense	7,515	4,830	-	12,345
Depreciation	139,663	34,916	-	174,579
Dues and Subscriptions and Donations	9,547	1,426	-	10,973
Equipment and Maintenance	7,302	25,891	-	33,193
Executive Board	-	18,388	-	18,388
Freethought Today	76,326	-	-	76,326
Insurance	31,024	7,756	-	38,780
Items for Resale	41,088	-	-	41,088
Internet	86,360	-	-	86,360
Banking Fees	-	60,449	-	60,449
Office Expense	24,993	6,248	-	31,241
Scholarships, Grants and Awards	409,624	-	-	409,624
Postage and Shipping	140,523	35,131	-	175,654
Printing	35,024	8,756	-	43,780
Library Project	82	-	-	82
Lobbying	29,301	-	-	29,301
Telephone	12,837	3,209	-	16,046
Travel	16,412	-	-	16,412
Utilities	15,125	3,781	-	18,906
Godless Gospel Project	1,162	-	-	1,162
Fundraising	-	-	77,470	77,470
Total Expenses	<u>\$ 5,118,848</u>	<u>\$ 493,359</u>	<u>\$ 80,448</u>	<u>\$ 5,692,655</u>

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



**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**Madison, Wisconsin**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**For the Year Ended December 31, 2018**

Cash Flows from Operating Activities

Increase (Decrease) in Net Assets	\$	(496,963)
Adjustments to reconcile increase(decrease) in net assets to net cash provided by operating activities:		
Depreciation		174,579
Proceeds from donations restricted for long-term investment		(100,000)
Donated securities		(318,536)
(Gain)/loss on sale of of assets		(5,337)
Realized (gains)/losses on investments		(245,527)
Unrealized (gains)/losses on investments		734,669
Unrealized (gain)/loss on interest in agency endowment		2,493
Changes in operating assets and liabilities:		
Accounts receivable		(66,985)
Other receivables		(17,606)
Accrued interest		(3,893)
Inventory		(28,203)
Prepays		180,229
Accounts payable		34,047
Accrued payables		47,258
		(109,775)
Net cash provided (used) by operating activities		(109,775)

Cash Flows from Investing Activities

Acquisition of fixed assets		(86,171)
Purchases of investments		(920,093)
Sales of investments		631,061
Proceeds from interest in agency endowment		1,747
		(373,456)
Net cash provided(used) by investing activities		(373,456)

Cash Flows of Financing Activities

Proceeds from donations restricted for long-term investment		100,000
		100,000
Net cash provided(used) by financing activities		100,000
Net (Decrease) Increase in cash		(383,231)
Cash at beginning of year		1,263,433
		1,263,433
Cash at end of year	\$	880,202

Supplemental disclosure of noncash investing activities

During 2018, the Organization received donated securities valued at \$318,536.

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

**NOTES TO FINANCIAL STATEMENTS**

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018**

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**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.

Principles of Consolidation

These financial statements include the accounts of Freedom from Religion Foundation, Inc., and NonBelief Relief, Inc. (“NBR”). The Foundation holds a financial interest in NBR and the Foundation holds substantial influence over the Board of Directors and operations of NBR. References to the “Organization” refer to the consolidated group. All significant intercompany transactions and balances have been eliminated.

Method of Accounting

The Organization 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 Organization considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments consist of interest bearing certificates of deposit, treasury notes, debt securities, money market accounts, and mutual funds. Investments are recorded at fair market value.

Inventory

Inventories of merchandise purchased for resale such as books, shirts and CDs are stated at cost.

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 1 year. Depreciation expense is calculated on the straight-line basis over the estimated useful lives of the assets.

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 consolidated 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).

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018**

**1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES, Continued**

Income Taxes, continued

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 2015.

Basis of Presentation and Net Assets

The Organization utilizes the accrual method of accounting, whereby revenue is recognized when earned, and expenses are recognized when incurred. The Organization's financial statements are prepared in accordance with professional standards. Under generally accepted accounting principles (GAAP), the Organization 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 Organization and include those expendable resources which have been designated for special use by the Organization's 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 Organization's choices of when to use these resources.

Recently Issued Accounting Standards

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. The Organization has updated the presentation of its financial statements in accordance with the new standard. The new standard changes affect the Organization's financial statements as follows:

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The temporarily restricted net assets class was renamed *net assets with donor restrictions*.
- The notes to the financial statements include a new disclosure describing the liquidity and availability of financial assets (Note 8)
- Disclosures related to the allocation of functional expenses have been expanded.

The changes have the following effect on net assets at December 31, 2017:

	As Originally Presented	After adoption of ASU 2016-14
	<u>                    </u>	<u>                    </u>
Net asset class		
Unrestricted net assets	\$ 14,678,883	\$ -
Temporarily restricted net assets	1,363,249	-
Permanently restricted net assets	426,945	-
Net assets without donor restrictions	-	14,678,883
Net assets with donor restrictions	-	1,790,194
Total net assets	<u>\$ 16,469,077</u>	<u>\$ 16,469,077</u>

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018**

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**1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES, Continued**

Use of Estimates

The preparation of consolidated 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.

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.

Subsequent Events

Subsequent events have been evaluated through June 7, 2019, which represents the date the consolidated financial statements were available to be issued. None were noted.

Concentration of Credit and Market Risk

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash equivalents and investments. The Organization places its cash equivalents with financial institutions and limits the amount of credit exposure to any one financial institution. The Organization'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 Organization'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.

**2. DEPOSITS AND INVESTMENTS**

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 Organization'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 Organization maintains deposits in excess of federally insured limits. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000 per institution. The Organization also maintains balances at brokerages. These balances are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. Professional standards identify these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining the deposits in high quality financial institutions. At December 31, 2018, these investments were in excess of the FDIC and SIPC insurance limits by about \$4,840,583, resulting in over 56% of their investments being insured by FDIC and SIPC insurance.

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018**

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**3. AGENCY ENDOWMENT**

In 2015, the Patrick O'Reiley Freedom from Religion Foundation Endowment Fund was established as a component fund of the San Diego Foundation ("SDF"). Through this program, donors initiate long-term investment plans that will lead to permanent charitable endowment funds within SDF.

Under the provisions of SDF's governing instruments and applicable regulations, the SDF's board of directors has the power to modify any restriction or condition on, or direction as to, the timing, manner, or character of distributions for any specified charitable purposes or organizations if, in the judgment of the board, such direction, restrictions, or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with any distribution policy adopted by SDF or with the charitable needs of the San Diego Foundation.

SDF maintains legal ownership of the assets of the agency endowment, which are held and administered subject to the provisions of SDF's governing instruments. The Organization recognizes the fair value of contributions as support when received and recognizes transfers to the agency endowment as decreases in cash and increases in an asset called "Beneficial interest in assets held by SDF" when funds are transferred to SDF.

See note 5 for additional information.

**4. INVESTMENTS**

The Organization invests in treasury notes, 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, 2018 are comprised of the following:

	Fair Market Value	Cost
Money Market Accounts	\$ 181,332	\$ 181,332
Bond Mutual Funds	662,964	692,431
Equity Securities	279,416	292,765
Equity Mutual Funds	849,628	899,867
Mutual Fund Securities	4,450,013	4,567,756
Real Estate Investment Trust	29,976	32,107
Balance at 12/31/18	<u>\$ 6,453,329</u>	<u>\$ 6,666,258</u>

Other investments consist of Certificates of Deposits. These investments are shown at cost which is substantially the same as fair market value.

Income from these investments for the year ended December 31, 2018 is summarized as follows:

	2018
Interest and dividends	\$ 202,043
Net realized and unrealized gains (losses)	(491,634)
	<u>\$ (289,591)</u>

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018**

**5. FAIR VALUE MEASUREMENT**

In accordance with current authoritative accounting guidance, the Organization 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 Organization’s perceived risk of that investment.

The following tables summarize the valuation of the Organization’s financial assets measured and recorded at fair value on a recurring basis at December 31, 2018 based on the input utilized to measure fair value:

December 31, 2018	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Money Market Accounts	\$ 181,332	\$ 181,332	\$ -	\$ -
Bond Mutual Funds	662,964	662,964	-	-
Equity Securities	279,416	279,416	-	-
Equity Mutual Funds	849,628	849,628	-	-
Mutual Fund Securities	4,450,013	4,450,013	-	-
Real Estate Investment Trus	29,976	29,976	-	-
Beneficial interest in assets held by SDF	38,469	-	-	38,469
<b>Total</b>	<b>\$ 6,491,798</b>	<b>\$ 6,453,329</b>	<b>\$ -</b>	<b>\$ 38,469</b>

*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 treasury notes is based on quoted prices for similar assets traded on an active market.

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018**

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**5. FAIR VALUE MEASUREMENT (Continued)**

*Level 3 Fair Value Measurements*

The Organization's beneficial interest in assets held by SDF represents an agreement between the Organization and SDF in which the Organization transfers assets to SDF in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to the Organization from SDF. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

	Beneficial Interest in Assets Held by SDF
	2018
Beginning balance - January 1,	\$ 42,709
Contributions	-
Grants	(1,747)
Change in value of beneficial interest included in change in net assets	(2,493)
Ending balance - December 31,	\$ 38,469

**6. ENDOWMENTS**

The Organization'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 Organization 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 Organization classifies the original value of the gifts made to such endowment as the amount it must maintain in perpetuity.



**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018**

**6. ENDOWMENTS (Continued)**

Endowment Net Asset Composition by Type of Fund as of December 31, 2018

	Board-Designated Endowment Funds	Donor Restricted Endowment Funds	Total
Life Member Reserves	\$ 3,316,009	\$ -	\$3,316,009
FFRF Endowment	500,000	229,058	729,058
Henry H. Zumach Freedom From Fundamentalist Religion Award Fund	-	189,592	189,592
<b>Total Funds</b>	<b>\$ 3,816,009</b>	<b>\$ 418,650</b>	<b>\$4,234,659</b>

Changes in Endowment Net Assets for the Year Ended December 31, 2018

	Board-Designated Endowment Funds	Donor Restricted Endowment Funds	Total
Endowment net assets, beginning of year	\$ 3,539,044	\$ 335,733	\$3,874,777
Investment return:			
Investment Income	8,165	(12,950)	(4,785)
Contributions	268,800	102,113	370,913
Amounts appropriated for expenditure	-	(6,246)	(6,246)
Other Changes	-	-	-
<b>Endowment net assets, end of year</b>	<b>\$ 3,816,009</b>	<b>\$ 418,650</b>	<b>\$4,234,659</b>

Return Objectives and Risk Parameters

The Organization 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 and Treasury Bills. Permanently restricted endowment assets are invested in mutual funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives of the Life Member Reserve fund, the Organization relies on a total return strategy in which investments returns are achieved through current yield (interest). The Organization invests in Certificates of Deposit and Treasury Bills. The FFRF Endowment is invested in accordance with the Organization's general investment management policy. In accordance with this policy, the fund shall be invested in a medium risk fund with 50-80% equities and 20-50% fixed income with reasonable fees. The fund shall have reasonable liquidity and be diversified by holdings, sector, geography, and market capitalization. In accordance with the endowment agreement, The Henry H. Zumach Freedom From Fundamentalist 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 CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018**

**6. 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.

Funds with Deficiencies

From time to time, the fair value of the assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires to be retained as a fund of perpetual duration. It is generally the Organization's policy to continue spending from underwater funds if expenditures are deemed to be of prudent use by the Executive Board. Deficiencies of this nature are reported in net assets with donor restrictions. As of December 31, 2018, one fund was underwater. The fund has a value of \$189,592 as of December 31, 2018, an original gift value of \$200,000 and was underwater by \$10,408.

**7. FIXED ASSETS AND DEPRECIATION**

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

	Land and Work in Progress	Buildings	Vehicle	Furniture/ Equipment	Accumulated Depreciation
Balance at 1/1/18	\$ 750,337	\$ 3,945,371	\$ 37,259	\$ 446,191	\$ 674,394
Additions	13,088	35,982	37,604	10,488	-
Disposals	-	(10,234)	(37,259)	(40,767)	(82,608)
Depreciation	-	-	-	-	174,579
Balance 12/31/18	<u>\$ 763,425</u>	<u>\$ 3,971,119</u>	<u>\$ 37,604</u>	<u>\$ 415,912</u>	<u>\$ 766,365</u>

Depreciation expense for the year ended December 31, 2018 was \$174,579.

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018**

**8. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The Organization monitors its liquidity so that it is able to meet its operating needs. The following table reflects the Organization's financial assets as of December 31, 2018, 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 restricted amounts could be used within one year if approved by the Executive Committee. The Organization'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	\$	880,202
Accounts receivable, net		17,606
Pledges receivable, net		189,359
Accrued Interest		18,630
Investments		10,379,237
Perpetual trusts held by others		38,469
Total financial assets, excluding noncurrent receivables		11,523,503
Less those unavailable for general expenditure within one year due to:		
Endowments and accumulated earnings subject to appropriation beyond one year		(418,650)
Perpetual trusts and accumulated earnings subject to appropriation beyond one year		(38,469)
Other donor restrictions		(1,156,398)
Board-designations:		
Quasi-endowment		(500,000)
Operating reserves		(1,298,852)
Life member reserves		(3,316,009)
Other board designated amounts		(3,898,382)
Financial assets available to meet cash needs for expenditures within one year	\$	896,743

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018**

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**9. NET ASSETS WITHOUT DONOR RESTRICTIONS**

At December 31, 2018 the Organization has the following amounts which represent net assets without donor restrictions that have been designated for various purposes:

Legal	\$ 1,706,433
Life Member Reserves	3,316,009
Building and Operations	1,298,852
Scholarships	73,000
Education and Outreach	15,000
Advertising	1,150,000
Board Designated Endowment	500,000
Other	953,949
Total Board Designated Net Assets	<u><u>\$ 9,013,243</u></u>

**10. NET ASSETS WITH DONOR RESTRICTIONS**

At December 31, 2018 the Organization has net assets with donor restrictions consisting of the following:

Purpose Restrictions:	
Legal	\$ 191,974
Activist Awards	265,944
Scholarships and Awards	433,274
Advertising and Education	139,251
Other	25,955
Subtotal	<u>1,056,398</u>
Amounts to be Maintained in Perpetuity:	
Endowments	418,650
Interships	100,000
Subtotal	<u>518,650</u>
Total Net Asset With Donor Restrictions	<u><u>\$ 1,575,048</u></u>

**11. RETIREMENT PLAN**

The Organization established a 401(k) defined contribution retirement plan effective May 1, 2017 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 Organization makes matching contributions at the discretion of the Board of Directors. Employees are fully vested after two years of employment. The Organization made contributions of \$104,813 to the plan for the year ended December 31, 2018.

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2018**

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**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, 2019.
- ASU No. 2014-09 (Topic 606): *Revenue from Contracts with Customers*. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018.
- ASU No. 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018.

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

**SUPPLEMENTARY INFORMATION**

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**Madison, Wisconsin**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**December 31, 2018**

<u>ASSETS</u>	Freedom From Religion Foundation, Inc.	Nonbelief Relief, Inc.	Eliminations	Consolidated Balance
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 876,828	\$ 3,374	\$ -	\$ 880,202
Promises to Give	189,359	-	-	189,359
Other Receivables	17,606	-	-	17,606
Due from Other Organizations	5,075	-	(5,075)	-
Accrued Interest	18,630	-	-	18,630
Prepays	141,207	-	-	141,207
Inventory	154,543	-	-	154,543
	<u>1,403,248</u>	<u>3,374</u>	<u>(5,075)</u>	<u>1,401,547</u>
<u>Fixed Assets</u>				
Land and Work in Progress	763,425	-	-	763,425
Buildings and Improvements	3,971,119	-	-	3,971,119
Furniture and Equipment	415,912	-	-	415,912
Vehicle	37,604	-	-	37,604
Less: Accumulated Depreciation	(766,365)	-	-	(766,365)
	<u>4,421,695</u>	<u>-</u>	<u>-</u>	<u>4,421,695</u>
<u>Other Assets</u>				
Beneficial Interest in Assets Held by San Diego Foundation	38,469	-	-	38,469
Investments Measured at Fair Value	6,453,329	-	-	6,453,329
Investments - Other	3,925,908	-	-	3,925,908
	<u>10,417,706</u>	<u>-</u>	<u>-</u>	<u>10,417,706</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 16,242,649</u></u>	<u><u>\$ 3,374</u></u>	<u><u>\$ (5,075)</u></u>	<u><u>\$ 16,240,948</u></u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Accounts Payable	\$ 68,662	\$ -	\$ -	\$ 68,662
Accrued Payroll Expenses	200,172	-	-	200,172
Payable to Other Organizations	-	5,075	(5,075)	-
	<u>268,834</u>	<u>5,075</u>	<u>(5,075)</u>	<u>268,834</u>
<u>Net Assets</u>				
Net Assets Without Donor Restrictions				
Designated	9,013,243	-	-	9,013,243
Net investment in property and equipment	4,421,695	-	-	4,421,695
Undesignated	963,829	(1,701)	-	962,128
	<u>14,398,767</u>	<u>(1,701)</u>	<u>-</u>	<u>14,397,066</u>
Net Assets With Donor Restrictions	1,575,048	-	-	1,575,048
	<u>15,973,815</u>	<u>(1,701)</u>	<u>-</u>	<u>15,972,114</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 16,242,649</u></u>	<u><u>\$ 3,374</u></u>	<u><u>\$ (5,075)</u></u>	<u><u>\$ 16,240,948</u></u>

**FREEDOM FROM RELIGION FOUNDATION, INC.**  
**Madison, Wisconsin**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2018**

	Freedom From Religion Foundation, Inc.	Nonbelief Relief, Inc.	Eliminations	Consolidated Balance
<u>Revenue</u>				
Convention Income	\$ 128,018	\$ -	\$ -	\$ 128,018
Donations	2,376,925	14,457	-	2,391,382
Bequests	1,089,732	-	-	1,089,732
Donations - Combined Federated Campaign	50,496	-	-	50,496
Student Activist Donations	25,955	-	-	25,955
Legal Fund Donations	340,980	-	-	340,980
Membership Dues and Fees	1,309,830	-	-	1,309,830
Miscellaneous	62,240	-	-	62,240
Sales	86,618	-	-	86,618
Interest	-	32	-	32
Investment Income (Loss)	(289,591)	-	-	(289,591)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue	5,181,203	14,489	-	5,195,692
<u>Expenses</u>				
Program	4,874,878	243,970	-	5,118,848
Management and General	493,047	312	-	493,359
Fundraising	80,448	-	-	80,448
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	5,448,373	244,282	-	5,692,655
Total Change in Net Assets	(267,170)	(229,793)	-	(496,963)
Net Assets at Beginning of Year	16,240,985	228,092	-	16,469,077
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets (Deficit) at End of Year	<u>\$ 15,973,815</u>	<u>\$ (1,701)</u>	<u>\$ -</u>	<u>\$ 15,972,114</u>