



FREEDOM
FROM RELIGION
foundation

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

For the Year Ended December 31, 2019

FREEDOM FROM RELIGION FOUNDATION, INC.

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December 31, 2019

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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, 2019, 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, 2019, 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, 2019, Freedom from Religion Foundation, Inc. adopted provisions of Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. 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 30, 2020

FINANCIAL STATEMENTS

FREEDOM FROM RELIGION FOUNDATION, INC.
Madison, Wisconsin
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 1,012,529
Promises to Give	258,726
Prepays	536,870
Inventory	143,203
	<hr/>
Total Current Assets	1,951,328
<u>Fixed Assets</u>	
Land	750,337
Buildings and Improvements	4,021,554
Furniture and Equipment	448,787
Vehicle	37,604
Less: Accumulated Depreciation	(934,564)
	<hr/>
Net Fixed Assets	4,323,718
<u>Other Assets</u>	
Beneficial Interest in Assets Held by San Diego Foundation	42,662
Investments Measured at Fair Value	7,151,350
Investments - Certificates of Deposit	1,946,063
	<hr/>
Total Other Assets	9,140,075
TOTAL ASSETS	 \$ 15,415,121 <hr/> <hr/>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>	
Accounts Payable	\$ 98,960
Accrued Payroll	130,857
	<hr/>
Total Current Liabilities	229,817
<u>Net Assets</u>	
Net Assets Without Donor Restrictions:	
Designated	8,226,848
Net Investment in Property and Equipment	4,323,718
Undesignated	980,216
	<hr/>
	13,530,782
Net Assets with Donor Restrictions	1,654,522
	<hr/>
Total Net Assets	15,185,304
TOTAL LIABILITIES AND NET ASSETS	 \$ 15,415,121 <hr/> <hr/>

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, 2019

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
<u>Revenue, Gains, and Other Support</u>			
Convention Income	\$ 70,414	\$ -	\$ 70,414
Donations	2,348,398	593,938	2,942,336
Bequests	443,374	-	443,374
Donations - Combined Federated Campaign	38,235	-	38,235
Student Activist Donations	-	80,357	80,357
Legal Fund Donations	-	492,113	492,113
Membership Dues and Fees	1,366,475	-	1,366,475
Miscellaneous	87,996	-	87,996
Sales	116,971	-	116,971
Interest	1	-	1
Investment Income (Loss)	1,256,828	-	1,256,828
Subtotal	<u>5,728,692</u>	<u>1,166,408</u>	<u>6,895,100</u>
Net assets released from donor restriction	<u>1,086,934</u>	<u>(1,086,934)</u>	<u>-</u>
Total Revenue, Gains, and Other Support	6,815,626	79,474	6,895,100
<u>Expenses</u>			
Program	7,097,861	-	7,097,861
Management and General	522,233	-	522,233
Fundraising	61,816	-	61,816
Total Expenses	<u>7,681,910</u>	<u>-</u>	<u>7,681,910</u>
Change in Net Assets	(866,284)	79,474	(786,810)
Net Assets at Beginning of Year	<u>14,397,066</u>	<u>1,575,048</u>	<u>15,972,114</u>
Net Assets at End of Year	<u>\$ 13,530,782</u>	<u>\$ 1,654,522</u>	<u>\$ 15,185,304</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, 2019

<u>EXPENSES</u>	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 1,672,946	\$ 167,295	\$ 18,588	\$ 1,858,829
Health Insurance/Retirement Benefits	447,546	44,755	4,973	497,274
Payroll Taxes	144,644	14,464	1,608	160,716
Radio Expense	7,433	-	-	7,433
Video - TV/Film	31,351	-	-	31,351
Advertising and Promotion	2,505,770	-	-	2,505,770
Legal	98,307	41,330	-	139,637
Convention Expense	158,095	-	-	158,095
Regional Meeting	18,607	-	-	18,607
Other Events	1,953	-	-	1,953
Accounting Fees	-	28,109	-	28,109
Auto	434	434	-	867
Building Maintenance	39,895	9,974	-	49,869
Broadcasting	907,803	-	-	907,803
Chapter Expense	34,981	10,242	-	45,223
Depreciation	134,559	33,640	-	168,199
Dues and Subscriptions and Donations	67,534	10,091	-	77,625
Equipment and Maintenance	6,839	24,248	-	31,087
Executive Board	-	13,071	-	13,071
Freethought Today	48,673	-	-	48,673
Insurance	30,753	7,688	-	38,441
Items for Resale	75,137	-	-	75,137
Internet	105,186	-	-	105,186
Miscellaneous	-	-	4,869	4,869
Banking Fees	-	61,161	-	61,161
Office Expense	14,841	3,710	2,774	21,325
Scholarships, Grants and Awards	201,542	-	-	201,542
Postage and Shipping	127,902	31,975	14,791	174,668
Printing	52,034	13,008	14,213	79,255
Library Project	90	-	-	90
Lobbying	63,467	-	-	63,467
Telephone	13,098	3,275	-	16,373
Travel	57,017	-	-	57,017
Utilities	15,055	3,764	-	18,819
Godless Gospel Project	11,882	-	-	11,882
Special Projects	2,487	-	-	2,487
Total Expenses	\$ 7,097,861	\$ 522,233	\$ 61,816	\$ 7,681,910

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, 2019

Cash Flows from Operating Activities

Increase (Decrease) in Net Assets	\$ (786,810)
Adjustments to reconcile increase(decrease) in net assets to net cash provided by operating activities:	
Depreciation	168,199
Proceeds from donations restricted for long-term investment	(100,000)
Donated securities	(83,128)
Realized (gains)/losses on investments	(349,478)
Unrealized (gains)/losses on investments	(707,040)
Unrealized (gain)/loss on interest in agency endowment	(6,178)
Changes in operating assets and liabilities:	
Accounts receivable	(69,367)
Other receivables	17,606
Accrued interest	18,630
Inventory	11,339
Prepays	(395,663)
Accounts payable	30,297
Accrued payables	(69,315)
Net cash provided (used) by operating activities	(2,320,908)

Cash Flows from Investing Activities

Acquisition of fixed assets	(70,221)
Purchases of investments	(6,622,848)
Sales of investments	9,044,319
Proceeds from interest in agency endowment	1,985
Net cash provided(used) by investing activities	2,353,235

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	132,327
Cash at beginning of year	880,202
Cash at end of year	\$ 1,012,529

Supplemental disclosure of noncash investing activities

During 2019, the Organization received donated securities valued at \$83,128.

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, 2019

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 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.

Promises to Give and Contributions

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. As of December 31, 2019, 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, 2019 there was no allowance for uncollectable promises to give.

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. Our federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. As of December 31, 2019, no conditional promises to give were outstanding.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES, Continued

Prepaid Expenses

Prepaid expenses consist of operating and programming fees paid in 2019 that will be charged to expenses in 2020.

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.

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, 2019, the balance of accrued vacation of \$72,318 was included with accrued payroll on the consolidated 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 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).

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 2016.

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 Executive Board of Directors.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 30, 2020, which represents the date the consolidated financial statements were available to be issued.

Change in Accounting Principle

In June 2018 the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.

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.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

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, 2019, these investments were in excess of the FDIC and SIPC insurance limits by about \$5,615,554, resulting in over 44% of their investments being insured by FDIC and SIPC insurance.

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.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

4. INVESTMENTS

The Organization 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, 2019 are comprised of the following:

	Fair Market Value	Cost
Money Market Accounts	\$ 345,965	\$ 345,965
Equity Securities	584,599	562,764
Bonds	1,405,628	1,358,637
Equity Mutual Funds	345,052	309,108
Mutual Fund Securities	4,470,106	4,308,589
Balance at 12/31/19	<u>\$ 7,151,350</u>	<u>\$ 6,885,063</u>

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

Income from these investments for the year ended December 31, 2019 is summarized as follows:

	2019
Interest and dividends	\$ 194,132
Net realized and unrealized gains (losses)	1,062,696
	<u>\$ 1,256,828</u>

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, 2019 based on the input utilized to measure fair value:

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

5. FAIR VALUE MEASUREMENT, Continued

December 31, 2019	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Money Market Accounts	\$ 345,965	\$ 345,965	\$ -	\$ -
Equity Securities	584,599	584,599	-	-
Bonds	1,405,628	-	1,405,628	-
Equity Mutual Funds	345,052	345,052	-	-
Mutual Fund Securities	4,470,106	4,470,106	-	-
Beneficial interest in assets held by SDF	42,662	-	-	42,662
Total	\$ 7,194,012	\$ 5,745,722	\$ 1,405,628	\$ 42,662

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.

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
	2019
Beginning balance - January 1,	\$ 38,469
Contributions	-
Grants	(1,784)
Change in value of beneficial interest included in change in net assets	5,977
Ending balance - December 31,	\$ 42,662

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

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.

Endowment Net Asset Composition by Type of Fund as of December 31, 2019

	Board-Designated Endowment Funds	Donor Restricted Endowment Funds	Total
Life Member Reserves	\$ 3,619,139	\$ -	\$ 3,619,139
FFRF Endowment	500,000	241,158	741,158
Henry H. Zumach Freedom From Fundamentalist Religion Award Fund	-	345,215	345,215
Total Funds	<u>\$ 4,119,139</u>	<u>\$ 586,373</u>	<u>\$ 4,705,512</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2019

	Board-Designated Endowment Funds	Donor Restricted Endowment Funds	Total
Endowment net assets, beginning of year	\$ 3,816,009	\$ 418,650	\$ 4,234,659
Investment return:			
Investment Income	11,130	63,725	74,855
Contributions	292,000	112,100	404,100
Amounts appropriated for expenditure	-	(8,102)	(8,102)
Other Changes	-	-	-
Endowment net assets, end of year	<u>\$ 4,119,139</u>	<u>\$ 586,373</u>	<u>\$ 4,705,512</u>

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, mutual funds, equity securities, and money market accounts. Donor-restricted endowment assets are invested in mutual funds.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

6. ENDOWMENTS, Continued

Strategies Employed for Achieving Objectives

To satisfy its long-term objectives of the Life Member Reserve and the FFRF Endowment are invested in accordance with the Organization'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 b Standard & Poor's and Baa or higher by Moody's. 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%.

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.

7. FIXED ASSETS AND DEPRECIATION

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

	Land and Work in Progress	Buildings	Vehicle	Furniture/ Equipment	Accumulated Depreciation
Balance at 1/1/19	\$ 763,425	\$ 3,971,119	\$ 37,604	\$ 415,912	\$ 766,365
Additions	-	50,435	-	32,875	-
Disposals	(13,088)	-	-	-	-
Depreciation	-	-	-	-	168,199
Balance 12/31/19	<u>\$ 750,337</u>	<u>\$ 4,021,554</u>	<u>\$ 37,604</u>	<u>\$ 448,787</u>	<u>\$ 934,564</u>

Depreciation expense for the year ended December 31, 2019 was \$168,199.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

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, 2019, 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 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	\$ 1,012,529
Promises to give	258,726
Investments	9,140,075
Perpetual trusts held by others	42,662
Total financial assets, excluding noncurrent receivables	10,453,992
Less those unavailable for general expenditure within one year due to:	
Endowments and accumulated earnings subject to appropriation beyond one year	(586,373)
Perpetual trusts and accumulated earnings subject to appropriation beyond one year	(42,662)
Other donor restrictions	(1,068,149)
Board-designations:	
Quasi-endowment	(500,000)
Operating reserves	(1,242,648)
Life member reserves	(3,619,139)
Other board designated amounts	(2,865,061)
Financial assets available to meet cash needs for expenditures within one year	\$ 529,960

9. NET ASSETS WITHOUT DONOR RESTRICTIONS

At December 31, 2019 the Organization has the following amounts which represent net assets without donor restrictions that have been designated for various purposes:

Legal	\$ 1,649,113
Life Member Reserves	3,619,139
Building and Operations	1,242,648
Scholarships	224,780
Education and Outreach	15,000
Advertising	500,000
Board Designated Endowment	500,000
Other	476,168
Total Board Designated Net Assets	\$ 8,226,848

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019

10. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019 the Organization has net assets with donor restrictions consisting of the following:

Purpose Restrictions:	
Legal	\$ 60,071
Activist Awards	267,178
Scholarships and Awards	441,697
Advertising and Education	172,883
Other	26,320
Subtotal	968,149
Amounts to be Maintained in Perpetuity:	
Endowments	586,373
Internships	100,000
Subtotal	686,373
Total Net Assets With Donor Restrictions	\$ 1,654,522

11. RETIREMENT PLAN

The Organization 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 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 \$184,351 to the plan for the year ended December 31, 2019.

12. SUBSEQUENT EVENTS

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Organization is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The financial statements do not include adjustments to fair value that have resulted from these declines. In addition, the Organization has secured a loan from the Small Business Administration through the Paycheck Protection Program to help offset any losses in investments and revenues as a result of the pandemic.

13. 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, 2020.

When this becomes effective, application of this standard may restate portions of these financial statements.

SUPPLEMENTARY INFORMATION

FREEDOM FROM RELIGION FOUNDATION, INC.
Madison, Wisconsin
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2019

<u>ASSETS</u>	Freedom From Religion Foundation, Inc.	Nonbelief Relief, Inc.	Eliminations	Consolidated Balance
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 1,010,118	\$ 2,411	\$ -	\$ 1,012,529
Promises to Give	258,726	-	-	258,726
Due from Other Organizations	6,975	-	(6,975)	-
Prepays	536,870	-	-	536,870
Inventory	143,203	-	-	143,203
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Assets	1,955,892	2,411	(6,975)	1,951,328
<u>Fixed Assets</u>				
Land and Work in Progress	750,337	-	-	750,337
Buildings and Improvements	4,021,554	-	-	4,021,554
Furniture and Equipment	448,787	-	-	448,787
Vehicle	37,604	-	-	37,604
Less: Accumulated Depreciation	(934,564)	-	-	(934,564)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Fixed Assets	4,323,718	-	-	4,323,718
<u>Other Assets</u>				
Beneficial Interest in Assets Held by San Diego Foundation	42,662	-	-	42,662
Investments Measured at Fair Value	7,151,350	-	-	7,151,350
Investments - Other	1,946,063	-	-	1,946,063
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Assets	9,140,075	-	-	9,140,075
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 15,419,685	\$ 2,411	\$ (6,975)	\$ 15,415,121
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Accounts Payable	\$ 98,960	\$ -	\$ -	\$ 98,960
Accrued Payroll Expenses	130,857	-	-	130,857
Payable to Other Organizations	-	6,975	(6,975)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Current Liabilities	229,817	6,975	(6,975)	229,817
<u>Net Assets</u>				
Net Assets Without Donor Restrictions				
Designated	8,226,848	-	-	8,226,848
Net investment in property and equipment	4,323,718	-	-	4,323,718
Undesignated	984,780	(4,564)	-	980,216
	<hr/>	<hr/>	<hr/>	<hr/>
	13,535,346	(4,564)	-	13,530,782
Net Assets With Donor Restrictions	1,654,522	-	-	1,654,522
	<hr/>	<hr/>	<hr/>	<hr/>
Total Net Assets (Deficit)	15,189,868	(4,564)	-	15,185,304
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 15,419,685	\$ 2,411	\$ (6,975)	\$ 15,415,121

FREEDOM FROM RELIGION FOUNDATION, INC.
Madison, Wisconsin
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	Freedom From Religion Foundation, Inc.	Nonbelief Relief, Inc.	Eliminations	Consolidated Balance
<u>Revenue</u>				
Convention Income	\$ 70,414	\$ -	\$ -	\$ 70,414
Donations	2,942,316	20	-	2,942,336
Bequests	443,374	-	-	443,374
Donations - Combined Federated Campaign	38,235	-	-	38,235
Student Activist Donations	80,357	-	-	80,357
Legal Fund Donations	492,113	-	-	492,113
Membership Dues and Fees	1,366,475	-	-	1,366,475
Miscellaneous	87,996	-	-	87,996
Sales	116,971	-	-	116,971
Interest	-	1	-	1
Investment Income (Loss)	1,256,828	-	-	1,256,828
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenue	6,895,079	21	-	6,895,100
<u>Expenses</u>				
Program	7,095,612	2,250	-	7,097,862
Management and General	521,598	634	-	522,232
Fundraising	61,816	-	-	61,816
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	7,679,026	2,884	-	7,681,910
Total Change in Net Assets	(783,947)	(2,863)	-	(786,810)
Net Assets at Beginning of Year	15,973,815	(1,701)	-	15,972,114
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets (Deficit) at End of Year	\$ 15,189,868	\$ (4,564)	\$ -	\$ 15,185,304
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