



FREEDOM
FROM RELIGION
foundation

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

For the Year Ended December 31, 2020

FREEDOM FROM RELIGION FOUNDATION, INC.

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December 31, 2020

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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, 2020, 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, 2020, 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.



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.
July 21, 2021

FINANCIAL STATEMENTS

FREEDOM FROM RELIGION FOUNDATION, INC.
Madison, Wisconsin
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 1,065,753
Promises to Give	86,267
Prepays	978,117
Inventory	168,787
	<hr/>
Total Current Assets	2,298,924
<u>Fixed Assets</u>	
Land	750,337
Buildings and Improvements	4,057,288
Furniture and Equipment	436,352
Vehicle	37,604
Less: Accumulated Depreciation	(1,056,231)
	<hr/>
Net Fixed Assets	4,225,350
<u>Other Assets</u>	
Beneficial Interest in Assets Held by San Diego Foundation	40,845
Investments Measured at Fair Value	16,193,753
Investments - Certificates of Deposit	1,289,471
	<hr/>
Total Other Assets	17,524,069
TOTAL ASSETS	<u>\$ 24,048,343</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>	
Accounts Payable	\$ 124,371
Accrued Payroll	208,921
	<hr/>
Total Current Liabilities	333,292
<u>Net Assets</u>	
Net Assets Without Donor Restrictions:	
Designated	8,169,607
Net Investment in Property and Equipment	4,225,350
Undesignated	9,022,172
	<hr/>
	21,417,129
Net Assets with Donor Restrictions	2,297,922
	<hr/>
Total Net Assets	23,715,051
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,048,343</u>

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, 2020

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
<u>Revenue, Gains, and Other Support</u>			
Donations	\$ 2,192,678	\$ 865,004	\$ 3,057,682
Bequests	6,822,069	-	6,822,069
Donations - Combined Federated Campaign	41,004	-	41,004
Student Activist Donations	-	88,174	88,174
Legal Fund Donations	-	181,675	181,675
Grants	489,900	-	489,900
Membership Dues and Fees	1,526,702	-	1,526,702
Miscellaneous	106,059	-	106,059
Sales	88,622	-	88,622
Investment Income (Loss)	2,735,187	-	2,735,187
Subtotal	<u>14,002,221</u>	<u>1,134,853</u>	<u>15,137,074</u>
Net assets released from donor restriction	<u>491,453</u>	<u>(491,453)</u>	<u>-</u>
Total Revenue, Gains, and Other Support	<u>14,493,674</u>	<u>643,400</u>	<u>15,137,074</u>
<u>Expenses</u>			
Program	6,000,322	-	6,000,322
Management and General	525,759	-	525,759
Fundraising	58,386	-	58,386
Total Expenses	<u>6,584,466</u>	<u>-</u>	<u>6,584,466</u>
Loss on Disposal of Fixed Assets	<u>22,861</u>	<u>-</u>	<u>22,861</u>
Total Expenses and Losses	<u>6,607,327</u>	<u>-</u>	<u>6,607,327</u>
Change in Net Assets	7,886,347	643,400	8,529,747
Net Assets at Beginning of Year	<u>13,530,782</u>	<u>1,654,522</u>	<u>15,185,304</u>
Net Assets at End of Year	<u>\$ 21,417,129</u>	<u>\$ 2,297,922</u>	<u>\$ 23,715,051</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, 2020

<u>EXPENSES</u>	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 1,802,415	\$ 180,241	\$ 20,027	\$ 2,002,683
Health Insurance/Retirement Benefits	471,594	44,755	4,973	521,322
Payroll Taxes	94,923	14,464	1,608	110,995
Radio Expense	12,160	-	-	12,160
Video - TV/Film	22,622	-	-	22,622
Advertising and Promotion	1,519,697	-	-	1,519,697
Legal	207,981	41,330	-	249,311
Convention Expense	3,542	-	-	3,542
Regional Meeting	8,678	-	-	8,678
Accounting Fees	-	23,337	-	23,337
Auto	208	208	-	416
Building Maintenance	24,851	6,213	-	31,064
Broadcasting	905,255	-	-	905,255
Chapter Expense	14,116	10,242	-	24,358
Depreciation	115,605	28,901	-	144,506
Dues and Subscriptions and Donations	131,172	19,600	-	150,772
Equipment and Maintenance	7,902	28,015	-	35,917
Executive Board	-	2,143	-	2,143
Freethought Today	45,385	-	-	45,385
Insurance	29,702	7,425	-	37,127
Items for Resale	18,139	-	-	18,139
Internet	119,810	-	-	119,810
Banking Fees	-	67,806	-	67,806
Office Expense	8,786	2,197	2,774	13,757
Scholarships, Grants and Awards	176,603	-	-	176,603
Postage and Shipping	120,324	30,081	14,791	165,196
Printing	43,790	10,947	14,213	68,950
Library Project	115	-	-	115
Lobbying	54,104	-	-	54,104
Telephone	12,862	3,216	-	16,078
Travel	8,255	-	-	8,255
Utilities	18,550	4,637	-	23,187
Godless Gospel Project	272	-	-	272
Special Projects	904	-	-	904
Total Expenses	\$ 6,000,322	\$ 525,759	\$ 58,386	\$ 6,584,466

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, 2020

Cash Flows from Operating Activities

Increase (Decrease) in Net Assets	\$	8,529,747
Adjustments to reconcile increase(decrease) in net assets to net cash provided by operating activities:		
Depreciation		144,506
Proceeds from donations restricted for long-term investment		(100,000)
Donated securities		(6,638,860)
(Gain)/loss on sale of assets		22,861
Realized (gains)/losses on investments		(262,251)
Unrealized (gains)/losses on investments		(2,190,239)
Changes in operating assets and liabilities:		
Promise to give		172,459
Inventory		(25,583)
Prepays		(441,248)
Accounts payable		25,411
Accrued payables		78,063
Net cash provided (used) by operating activities		(685,134)

Cash Flows from Investing Activities

Acquisition of fixed assets		(69,000)
Purchases of investments		(702,000)
Sales of investments		1,407,541
Proceeds from interest in agency endowment		1,817
Net cash provided(used) by investing activities		638,358

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		53,224
Cash at beginning of year		1,012,529
Cash at end of year		\$ 1,065,753

Supplemental disclosure of noncash investing activities

During 2020, the Organization received donated securities valued at \$6,251,252

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, 2020

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, 2020, 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, 2020 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, 2020, no conditional promises to give were outstanding.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES, Continued

Prepaid Expenses

Prepaid expenses consist of operating and programming fees paid in 2020 that will be charged to expenses in 2021.

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 one 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, 2020, the balance of accrued vacation of \$137,778 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 2017.

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, 2020

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 July 21, 2021, which represents the date the consolidated financial statements were available to be issued.

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, 2020

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. As of December 31, 2020, the Organization's uninsured cash balances totaled \$61,336.

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.

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, 2020

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, 2020 are comprised of the following:

	Fair Market Value	Cost
Money Market Accounts	\$ 576,208	\$ 576,208
Equity Securities	2,505,444	2,025,201
Bonds	1,792,829	1,644,002
Equity Mutual Funds	469,185	330,334
Mutual Fund Securities	10,850,087	8,882,354
Balance at December 31, 2020	<u>\$ 16,193,753</u>	<u>\$ 13,458,100</u>

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

Income from these investments for the year ended December 31, 2020 is summarized as follows:

	2020
Interest and dividends	<u>\$ 282,697</u>
Net realized and unrealized gains (losses)	<u>2,452,490</u>
	<u>\$ 2,735,187</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, 2020 based on the input utilized to measure fair value:

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

5. FAIR VALUE MEASUREMENT, Continued

December 31, 2020	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Money Market Accounts	\$ 576,208	\$ 576,208	\$ -	\$ -
Equity Securities	2,505,444	2,505,444	-	-
Bonds	1,792,829	-	1,792,829	-
Equity Mutual Funds	469,185	469,185	-	-
Mutual Fund Securities	10,850,087	10,850,087	-	-
Beneficial interest in assets held by SDF	40,845	-	-	40,845
Total	\$ 16,234,598	\$ 14,400,924	\$ 1,792,829	\$ 40,845

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
	2020
Beginning balance - January 1,	\$ 42,662
Contributions	-
Grants	(1,817)
Change in value of beneficial interest included in change in net assets	-
Ending balance - December 31,	<u>\$ 40,845</u>

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

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, 2020

	Board-Designated Endowment Funds	Donor Restricted Endowment Funds	Total
Life Member Reserves	\$ 3,845,033	\$ -	\$ 3,845,033
FFRF Endowment	500,000	252,758	752,758
Henry H. Zumach Freedom From Fundamentalist Religion Award Fund	-	559,385	559,385
Total Funds	\$ 4,345,033	\$ 812,143	\$ 5,157,176

Changes in Endowment Net Assets for the Year Ended December 31, 2020

	Board-Designated Endowment Funds	Donor Restricted Endowment Funds	Total
Endowment net assets, beginning of year	\$ 4,119,139	\$ 586,373	\$ 4,705,512
Investment return:			
Investment Income	7,494	124,170	131,664
Contributions	218,400	111,600	330,000
Amounts appropriated for expenditure	-	(10,000)	(10,000)
Other Changes	-	-	-
Endowment net assets, end of year	\$ 4,345,033	\$ 812,143	\$ 5,157,176

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, 2020

6. ENDOWMENTS, Continued

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 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	Buildings	Vehicle	Furniture/ Equipment	Accumulated Depreciation
Balance at 1/1/20	\$ 750,337	\$ 4,021,554	\$ 37,604	\$ 448,787	\$ 934,564
Additions	-	56,005	-	14,995	-
Disposals	-	(20,271)	-	(27,430)	(22,839)
Depreciation	-	-	-	-	144,506
Balance 12/31/20	\$ 750,337	\$ 4,057,288	\$ 37,604	\$ 436,352	\$ 1,056,231

Depreciation expense for the year ended December 31, 2020 was \$144,506.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

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, 2020, 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	\$ 1,065,753
Promises to give	86,267
Investments	17,483,224
Perpetual trusts held by others	40,845
Total financial assets, excluding noncurrent receivables	18,676,089
Less those unavailable for general expenditure within one year due to:	
Endowments and accumulated earnings subject to appropriation beyond one year	(812,143)
Perpetual trusts and accumulated earnings subject to appropriation beyond one year	(40,845)
Other donor restrictions	(1,485,779)
Board-designations:	
Quasi-endowment	(500,000)
Operating reserves	(2,372,584)
Life member reserves	(3,845,033)
Other board designated amounts	(1,451,990)
Financial assets available to meet cash needs for expenditures within one year	\$ 8,167,715

9. NET ASSETS WITHOUT DONOR RESTRICTIONS

At December 31, 2020 the Organization has the following amounts which represent net assets without donor restrictions that have been designated for various purposes:

Legal	\$ 1,142,610
Life Member Reserves	3,845,033
Building and Operations	2,372,584
Scholarships	176,630
Board Designated Endowment	500,000
Other	132,750
Total Board Designated Net Assets	\$ 8,169,607

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

10. NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020 the Organization has net assets with donor restrictions consisting of the following:

Purpose Restrictions:	
Activist Awards	\$ 276,010
Scholarships and Awards	440,004
Advertising and Education	643,100
Other	26,665
Subtotal	1,385,779
Amounts to be Maintained in Perpetuity:	
Endowments	812,143
Internships	100,000
Subtotal	912,143
Total Net Assets With Donor Restrictions	\$ 2,297,922

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 \$185,741 to the plan for the year ended December 31, 2020.

12. CONTINGENCIES

The spread of COVID-19 coronavirus has created economic uncertainty internationally. The potential of COVID-19 having a financial and economic impact on the Organization is a possibility, although no such impact is known at this time.

13. RELATED PARTY

The Thomas Paine Memorial Association, Inc. (“Association”) was incorporated during 2020. The Organization has the power to appoint one member of the Association’s board of directors. In addition, the Organization paid for legal fees related to the creation of the Association.

The Foundation is involved in litigation related a slip-and-fall accident at the 2018 convention. As of December 31, 2020, it is not possible to determine if there is a loss potential or what the amount might be. The Foundation has retained legal counsel and is defending its claim.

FREEDOM FROM RELIGION FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

14. 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.

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, 2020

<u>ASSETS</u>	Freedom From Religion Foundation, Inc.	Nonbelief Relief, Inc.	Eliminations	Consolidated Balance
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 1,063,342	\$ 2,411	\$ -	\$ 1,065,753
Promises to Give	86,267	-	-	86,267
Prepays	978,117	-	-	978,117
Inventory	168,787	-	-	168,787
Total Current Assets	<u>2,296,513</u>	<u>2,411</u>	<u>-</u>	<u>2,298,924</u>
<u>Fixed Assets</u>				
Land	750,337	-	-	750,337
Buildings and Improvements	4,057,288	-	-	4,057,288
Furniture and Equipment	436,352	-	-	436,352
Vehicle	37,604	-	-	37,604
Less: Accumulated Depreciation	<u>(1,056,231)</u>	<u>-</u>	<u>-</u>	<u>(1,056,231)</u>
Net Fixed Assets	<u>4,225,350</u>	<u>-</u>	<u>-</u>	<u>4,225,350</u>
<u>Other Assets</u>				
Beneficial Interest in Assets Held by San Diego Foundation	40,845	-	-	40,845
Investments Measured at Fair Value	16,193,753	-	-	16,193,753
Investments - Other	1,289,471	-	-	1,289,471
Total Other Assets	<u>17,524,069</u>	<u>-</u>	<u>-</u>	<u>17,524,069</u>
TOTAL ASSETS	<u><u>\$ 24,045,932</u></u>	<u><u>\$ 2,411</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,048,343</u></u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Accounts Payable	\$ 124,371	\$ -	\$ -	\$ 124,371
Accrued Payroll Expenses	208,921	-	-	208,921
Total Current Liabilities	<u>333,292</u>	<u>-</u>	<u>-</u>	<u>333,292</u>
<u>Net Assets</u>				
Net Assets Without Donor Restrictions				
Designated	8,169,607	-	-	8,169,607
Net investment in property and equipment	4,225,350	-	-	4,225,350
Undesignated	9,019,761	2,411	-	9,022,172
	<u>21,414,718</u>	<u>2,411</u>	<u>-</u>	<u>21,417,129</u>
Net Assets With Donor Restrictions	2,297,922	-	-	2,297,922
Total Net Assets	<u>23,712,640</u>	<u>2,411</u>	<u>-</u>	<u>23,715,051</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 24,045,932</u></u>	<u><u>\$ 2,411</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,048,343</u></u>

FREEDOM FROM RELIGION FOUNDATION, INC.
Madison, Wisconsin
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	Freedom From Religion Foundation, Inc.	Nonbelief Relief, Inc.	Eliminations	Consolidated Balance
<u>Revenue</u>				
Donations	\$ 3,057,682	\$ 6,975	\$ (6,975)	\$ 3,057,682
Bequests	6,822,069	-	-	6,822,069
Donations - Combined Federated Campaign	41,004	-	-	41,004
Student Activist Donations	88,174	-	-	88,174
Legal Fund Donations	181,675	-	-	181,675
Grants	489,900	-	-	489,900
Membership Dues and Fees	1,526,702	-	-	1,526,702
Miscellaneous	106,059	-	-	106,059
Sales	88,622	-	-	88,622
Investment Income (Loss)	2,735,187	-	-	2,735,187
	<u>15,137,074</u>	<u>6,975</u>	<u>(6,975)</u>	<u>15,137,074</u>
<u>Expenses and Losses</u>				
Program	6,000,322	-	-	6,000,322
Management and General	532,734	-	(6,975)	525,759
Fundraising	58,386	-	-	58,386
Total Expenses	6,591,441	-	(6,975)	6,584,466
Loss on Disposal of Fixed Assets	22,861	-	-	22,861
	<u>6,614,302</u>	<u>-</u>	<u>(6,975)</u>	<u>6,607,327</u>
Change in Net Assets	8,522,772	6,975	-	8,529,747
Net Assets (Deficit) at Beginning of Year	15,189,868	(4,564)	-	15,185,304
Net Assets at End of Year	<u>\$ 23,712,640</u>	<u>\$ 2,411</u>	<u>\$ -</u>	<u>\$ 23,715,051</u>