

**AMERICAN FREEDOM FOUNDATION, INC.**

**Audited Financial Statements**

**Years Ended December 31, 2014 and 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
American Freedom Foundation, Inc.

I have audited the accompanying financial statements of American Freedom Foundation, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years 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 and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Freedom Foundation, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 8 to the financial statements, subsequently discovered facts were made available to me after the audit report was previously released on July 24, 2015. A qualified opinion was previously expressed on the auditor's report dated July 24, 2015. The Organization started moving away from sponsorships for specific events to sustaining sponsors for all events with the first full year for this occurring in 2014. Management was unaware of the information that was needed by me to perform the completeness test for sponsorship revenue for 2014 until after the financial statements had been issued. Information was made available by management subsequent to July 24, 2015 that allowed the testing of the sponsorship income on the accrual basis. This allowed a different opinion to be rendered on the restated financial statements.



White House, Tennessee

July 24, 2015, except for Note 8 as to which the date is December 29, 2015

**AMERICAN FREEDOM FOUNDATION, INC.**  
**Statements of Financial Position**  
**December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
	<u><b>(Restated)</b></u>	<u><b>(Restated)</b></u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 39,275	\$ 7,384
Sponsorship receivables	31,666	-
Total current assets	<u>70,941</u>	<u>7,384</u>
<b>Equipment</b>		
Office equipment	1,632	1,632
Less: accumulated depreciation	<u>(1,060)</u>	<u>(734)</u>
Net equipment	<u>572</u>	<u>898</u>
Total assets	<u><u>\$ 71,513</u></u>	<u><u>\$ 8,282</u></u>
<b>LIABILITIES AND NET ASSETS (DEFICIENCY)</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 39,451	\$ 56,072
Deferred revenue	26,429	99,250
Unconditional promises to give to others	10,000	60,000
Total liabilities	<u>75,880</u>	<u>215,322</u>
<b>Unrestricted net assets (deficiency)</b>	<u>(4,367)</u>	<u>(207,040)</u>
Total liabilities and net assets (deficiency)	<u><u>\$ 71,513</u></u>	<u><u>\$ 8,282</u></u>

**AMERICAN FREEDOM FOUNDATION, INC.**  
**Statements of Activities**  
**Years Ended December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
	<b>(Restated)</b>	<b>(Restated)</b>
<b>Unrestricted net assets</b>		
<b>Support and revenues</b>		
Sponsorships	\$ 524,351	\$ 622,731
Exhibitor income	49,461	37,950
Concert tickets	93,542	195,834
Contributions	90,784	89,219
Reimbursed expenses	-	13,834
Special event income - auction	23,005	-
Other income	38,390	-
Interest income	7	1
Total support and revenues	819,540	959,569
<b>Expenses</b>		
Program services	516,785	975,771
Management and general	56,633	88,919
Fundraising	43,449	18,463
Total expenses	616,867	1,083,153
<b>Increase (decrease) in net assets (deficiency)</b>	202,673	(123,584)
<b>Net assets (deficiency) at beginning of year</b>	(207,040)	(83,456)
<b>Net assets (deficiency) at end of year</b>	\$ (4,367)	\$ (207,040)

**AMERICAN FREEDOM FOUNDATION, INC.**  
Statement of Functional Expenses  
Year Ended December 31, 2014 - Restated

	Program Services					Supporting Services		
	Warriors To The Workforce		Operation Rising Star	Grants/ Scholarships	Total Program	Management and General	Fundraising	Total
	Concerts	Hiring Events						
Artists fees	\$ 38,081	\$ -	\$ -	\$ -	\$ 38,081	\$ -	\$ -	\$ 38,081
Facility	17,500	34,734	-	-	52,234	-	-	52,234
Audio, video and lighting	-	-	-	-	-	-	-	-
Advertising, marketing and promotion	83,029	4,306	-	-	87,335	797	5,191	93,323
Catering	5,030	3,321	-	-	8,351	-	-	8,351
Event production and management	63,207	4,031	-	-	67,238	-	-	67,238
Stagehands	-	-	-	-	-	-	-	-
Travel, meals, and entertainment	14,378	6,568	965	-	21,911	4,481	204	26,596
Ticket expense	2,089	-	-	-	2,089	-	-	2,089
Other	6,850	1,901	-	-	8,751	333	108	9,192
Professional fees	27,275	46,073	12,090	-	85,438	44,748	20,797	150,983
Sponsorship fee	-	-	108,333	-	108,333	-	-	108,333
Auction items	-	-	-	-	-	-	14,405	14,405
Bank and credit card fees	1,959	890	-	-	2,849	2,453	853	6,155
Depreciation expense	-	-	-	-	-	326	-	326
Grants and contributions	20,500	1,500	-	11,000	33,000	500	-	33,500
Interest expense	-	-	-	-	-	369	-	369
Licenses and permits	-	-	-	-	-	-	1,638	1,638
Office expenses	-	526	-	-	526	890	190	1,606
Shipping	617	32	-	-	649	629	63	1,341
Website expenses	-	-	-	-	-	1,107	-	1,107
<b>Total expenses</b>	<b>\$ 280,515</b>	<b>\$ 103,882</b>	<b>\$ 121,388</b>	<b>\$ 11,000</b>	<b>\$ 516,785</b>	<b>\$ 56,633</b>	<b>\$ 43,449</b>	<b>\$ 616,867</b>

**AMERICAN FREEDOM FOUNDATION, INC.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2013 - Restated**

	Program Services				Supporting Services		Total
	Warriors To The Workforce Hiring Events	Operation Rising Star	Grants/ Scholarships	Total Program	Management and General	Fundraising	
Concerts	\$ 259,386	\$ -	\$ -	\$ 259,386	\$ -	\$ -	\$ 259,386
Artists fees	65,432	13,810	-	79,242	-	-	79,242
Facility	36,432	566	-	36,998	-	2,500	39,498
Audio, video and lighting	261,125	5,335	12,000	278,460	2,181	9,900	290,541
Advertising, marketing and promotion	21,889	1,341	-	23,230	285	-	23,515
Catering	145,658	8,652	-	154,310	-	-	154,310
Event production and management	24,541	-	-	24,541	-	-	24,541
Stagehands	20,711	9,145	1,838	31,694	5,378	901	37,973
Travel, meals, and entertainment	8,779	-	-	8,779	-	-	8,779
Ticket expense	8,787	1,256	-	10,043	-	591	10,634
Other	-	38,306	-	38,306	75,267	2,450	116,023
Professional fees	-	-	-	-	-	-	-
Sponsorship fee	3,541	537	-	4,078	2,139	-	6,217
Bank and credit card fees	-	-	-	-	326	-	326
Depreciation expense	26,000	-	-	26,000	100	-	26,100
Grants and contributions	-	-	-	-	37	-	37
Interest expense	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Office expenses	592	28	-	620	1,604	2,034	3,666
Shipping	-	84	-	84	303	87	1,066
Website expenses	-	-	-	-	1,299	-	1,299
Total expenses	\$ 882,873	\$ 79,060	\$ 13,838	\$ 975,771	\$ 88,919	\$ 18,463	\$ 1,083,153



**AMERICAN FREEDOM FOUNDATION, INC.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
	<b><u>(Restated)</u></b>	<b><u>(Restated)</u></b>
<b>Cash flows from operating activities</b>		
Total increase (decrease) in net assets (deficiency)	\$202,673	\$(123,584)
Adjustments to reconcile increase (decrease) in net assets (deficiency) to cash provided (used) by operating activities:		
Depreciation	326	326
Decrease (increase) in sponsorship receivables	(31,666)	16,500
Decrease (increase) in contribution receivables	-	2,840
Increase (decrease) in accounts payable	(16,621)	3,680
(Decrease) increase in deferred revenue	(72,821)	99,250
(Decrease) increase in unconditional promises to give to others	<u>(50,000)</u>	<u>(20,000)</u>
Net cash (used) provided by operating activities	<u>31,891</u>	<u>(20,988)</u>
 <b>Cash flows from investing activities</b>	 <u>-</u>	 <u>-</u>
 <b>Cash flows from financing activities</b>	 <u>-</u>	 <u>-</u>
 <b>Net increase (decrease) in cash</b>	 31,891	 (20,988)
 <b>Cash at beginning of year</b>	 <u>7,384</u>	 <u>28,372</u>
 <b>Cash at end of year</b>	 <u><u>\$ 39,275</u></u>	 <u><u>\$ 7,384</u></u>
 <b>Supplemental cash flow disclosures:</b>		
Cash paid for:		
Interest	<u><u>\$ 369</u></u>	<u><u>\$ 37</u></u>

**AMERICAN FREEDOM FOUNDATION, INC.**  
**Notes to Financial Statements**  
**Years Ended December 31, 2014 and 2013 - Restated**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Organization and Nature of Activities***

The American Freedom Foundation, Inc. (the "Organization") is a nonprofit corporation chartered in Riverview, Florida. The Organization is registered with the Florida Department of Agriculture and Consumer Services as well as 20 additional states as a charitable organization for solicitation purposes. The Organization currently holds concerts each year as the primary program service of the Organization. The purpose of the concerts are to create awareness and build support for veteran, military service members and their families through partnerships with military focused organizations. The concerts were held on May 24, 2014 and March 22, 2013, May 25, 2013 and November 10, 2013. In 2011, the Organization created a new program called the Veterans Career Hiring Event. This program will bring together major companies to profile their services and provide employment opportunities for veterans. Attending veterans will have the chance to talk with employers, submit qualifications, and even participate in job interviews on the spot. Attendance at the Veterans Career Hiring Event, now called Warriors To The Workforce, is free and open to veterans and active duty military service members. Warriors To The Workforce hiring events were held on and August 12 – 13, 2014 and October 13 – 14, 2014 and February 29, 2013 and May 25, 2013. In addition, the Organization created a new program in 2011 called the AFF/Kaplan University Military Scholarship Program. This program provides scholarships to military spouses and dependents. To date over 700 scholarships have been awarded in 48 states and 7 countries valued in excess of \$11 million dollars.

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the corresponding liability is incurred.

***Financial Statement Presentation***

The net assets of the Organization and changes therein are classified and reported as unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization had no temporarily restricted net assets or permanently restricted net assets during the years ended December 31, 2014 and 2013.

*Unrestricted Net Assets:* Net assets that are not subject to donor-imposed restrictions.

*Temporarily Restricted Net Assets:* Net assets that subject to donor-imposed time or purpose restrictions.

*Permanently Restricted Net Assets:* Net assets that are subject to permanent donor imposed restrictions.

**AMERICAN FREEDOM FOUNDATION, INC.**  
**Notes to Financial Statements - Continued**  
**Years Ended December 31, 2014 and 2013 - Restated**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, cash includes demand deposits and savings accounts. As of December 31, 2014 and 2013, there are no cash equivalents.

***Receivables***

Sponsorship receivables are recorded at their net realizable value. The Organization has collected 100% of the balances subsequent to year end and therefore has not recorded an allowance for doubtful accounts.

***Equipment***

Equipment is recorded at cost or at the estimated fair market value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the asset, which is five years. Expenditures for repairs and maintenance are charged to expense as incurred.

***Deferred Revenue***

Deferred revenue represents sponsorship fees received in advance for events to be held in subsequent years.

***In-Kind Sponsorships and Contributed Services***

In-kind sponsorships are reflected as sponsorship income at their fair value on the date received and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

***Contributions***

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. Otherwise, when a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**AMERICAN FREEDOM FOUNDATION, INC.**  
**Notes to Financial Statements - Continued**  
**Years Ended December 31, 2014 and 2013 - Restated**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Advertising***

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expenses were \$93,323 and \$290,541 for the years ended December 31, 2014 and 2013, respectively.

***Functional Expense Reporting***

Expenses by function have been allocated among program and supporting services classifications on the basis of internal records and estimates made by the Organization's management.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Organization's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

***Income Taxes***

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2012, 2013 and 2014 are subject to examination by the IRS, generally three years after they were filed.

**NOTE 2. UNCONDITIONAL PROMISES TO GIVE TO OTHERS**

Grants authorized but unpaid at year end are reported as liabilities on the Statements of Position. Management expects for these grants to be paid within one year.

**NOTE 3 – CONCENTRATIONS**

Financial instruments that are exposed to concentrations of credit risk consist of receivables. The receivables have been collected in full subsequent to year end. The Organization requires no collateral for the receivables.

The Organization received 75% and 85% of the total support and revenues from sponsors and ticket sales for the years ended December 31, 2014 and 2013, respectively.

Two sponsors accounted for 28% of the total 2014 sponsorship income.

**AMERICAN FREEDOM FOUNDATION, INC.**  
**Notes to Financial Statements - Continued**  
**Years Ended December 31, 2014 and 2013 - Restated**

**NOTE 4 – RELATED PARTY TRANSACTIONS**

The Organization paid a member of the Board of Directors to produce the concerts and hiring events and for management and general activities for the Organization for the years ended December 31, 2014 and 2013. The amounts paid to the board member for these services were \$100,915 and \$97,000 for the years ended December 31, 2014 and 2013, respectively.

**NOTE 5 – IN-KIND SUPPORT**

The Organization received in-kind support from sponsors in connection with the concerts and Warriors To The Workforce Hiring Events held in 2014 and 2015. The donated income is reported in the sponsorship gross income on the statement of activities. The in-kind contributions were used for the following purposes for the years ended December 31, 2014 and 2013 as follows:

	2014	2013
Advertising, marketing and promotion	\$ 58,500	\$ 181,500
Event production and management	10,302	29,781
Facility	44,180	17,500
Professional fees	1,247	-
Total in-kind support	\$ 114,229	\$ 228,781

**NOTE 6 – ACCUMULATED DEFICIENCY AND MANAGEMENT’S PLANS**

As indicated in the accompanying financial statements, the Organization showed a decrease in net assets of \$123,584 for the year ended December 31, 2013. As of December 31, 2014 and 2013, the Organization’s current liabilities exceeded its current assets by \$4,939 and \$207,938, respectively, and its total liabilities exceeded its total assets by \$4,367 and \$207,040, respectively. Those factors, as well as the Organization’s dependence on sponsors also impacted by the economy, create an uncertainty about the Organization’s ability to continue as a going concern. Management worked with vendors and grantees to have liabilities cancelled and these are recognized as Other Income on the Statements of Activities in the amount of \$38,390 for the year ended December 31, 2014. Management is continuing to develop plans to generate additional sponsorships, reducing expenses, and not committing grants until the monies are received. The ability of the Organization to continue as a going concern is dependent upon the success of these efforts. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

**NOTE 7 – SUBSEQUENT EVENTS**

The Organization has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2014 through July 24, 2015, the date the financial statements were available to be issued.

**AMERICAN FREEDOM FOUNDATION, INC.**  
**Notes to Financial Statements - Continued**  
**Years Ended December 31, 2014 and 2013 - Restated**

**NOTE 8 – SUBSEQUENTLY DISCOVERED FACTS AND RESTATEMENT OF FINANCIAL STATEMENTS**

A qualified opinion was issued by our auditor for 2014 on July 24, 2015 due to the inability to test the completeness of sponsorship revenue on the accrual basis. The Organization started moving away from sponsorships for specific events to sustaining sponsors for all events with the first full year in 2014. Management was unaware of the information that was needed by the auditor to perform the completeness test until after the financial statements had been issued. The information was forwarded to our auditor in December 2015. The audit procedures performed subsequent to July 24, 2015 only apply to the testing of the completeness of the sponsorship revenue for the year ended December 31, 2014. Accordingly, the Organization restated its results for the affected years based on the new information. The effect of the restatement was to increase the change in net assets for 2014 by \$55,821 and decrease the change in net assets for 2013 by \$52,250.

The effect of the restatement on the change in unrestricted net assets and financial position as of and for the years ended December 31, 2014 and 2013 as follows:

	<b>2014</b>		<b>2013</b>	
	<b>As Previously Reported</b>	<b>Restated</b>	<b>As Previously Reported</b>	<b>Restated</b>
Sponsorship revenue	\$ 460,030	\$ 524,351	\$ 674,981	\$ 622,731
Total support and revenues	755,219	819,540	1,011,819	959,569
Advertising, marketing and promotion	84,823	93,323	290,541	290,541
Program services	508,285	516,785	975,771	975,771
Total expenses	608,367	616,867	1,083,153	1,083,153
Change in net assets	146,852	202,673	(71,334)	(123,584)
Deferred revenue	30,000	26,429	47,000	99,250
Unrestricted net assets (deficiency)	(7,938)	(4,367)	(154,790)	(207,040)