

AMERICAN FREEDOM FOUNDATION, INC.

Audited Financial Statements

Years Ended December 31, 2012 and 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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 Regarding Going Concern

The accompanying financial statements have been prepared assuming the Organization will continue as a going concern. As discussed in Note 7 to the financial statements, the Organization has a net deficiency in net assets at December 31, 2012 that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. My opinion is not modified with respect to that matter.

A handwritten signature in cursive script that reads "Stuckel, CPA, PC".

White House, Tennessee
September 13, 2013

AMERICAN FREEDOM FOUNDATION, INC.
Statements of Financial Position
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current assets		
Cash	\$ 28,372	\$ 96,258
Sponsorship receivables	16,500	-
Contribution receivables	2,840	-
Donated auction item	-	10,000
Total current assets	47,712	106,258
Equipment		
Office equipment	1,632	1,632
Less: accumulated depreciation	(408)	(82)
Net equipment	1,224	1,550
Total assets	\$ 48,936	\$ 107,808
LIABILITIES AND NET ASSETS (DEFICIENCY)		
Current liabilities		
Accounts payable	\$ 52,392	\$ 326
Accrued expenses	-	12,000
Unconditional promises to give to others	80,000	-
Total liabilities	132,392	12,326
Unrestricted net assets (deficiency)	(83,456)	95,482
Total liabilities and net assets (deficiency)	\$ 48,936	\$ 107,808

AMERICAN FREEDOM FOUNDATION, INC.
Statements of Activities
Years Ended December 31, 2012 and 2011

	2012	2011
Unrestricted net assets		
Support and revenues		
Sponsorships	\$ 891,996	\$ 914,784
Concert tickets	180,067	217,191
Contributions	59,115	74,728
Golf tournament	7,295	-
BFF bracelet contributions	-	15,248
Interest income	1	-
Total support and revenues	1,138,474	1,221,951
Expenses		
Program services	1,183,018	1,027,805
Management and general	78,548	104,835
Fundraising	55,846	23,325
Total expenses	1,317,412	1,155,965
(Decrease) increase in net assets (deficiency)	(178,938)	65,986
Net assets (deficiency) at beginning of year	95,482	29,496
Net assets (deficiency) at end of year	\$ (83,456)	\$ 95,482

AMERICAN FREEDOM FOUNDATION, INC.
Statement of Functional Expenses
Year Ended December 31, 2012

	Program Services				Supporting Services		
	Concerts	BFF Bracelets	Veterans		Management and General	Fundraising	Total
			Hiring Event	Total Program			
Concert expenses:							
Artists fees	\$ 350,613	\$ -	\$ -	\$ 350,613	\$ -	\$ -	\$ 350,613
Facility	79,569	-	-	79,569	-	-	79,569
Advertising	221,353	-	-	221,353	-	-	221,353
Catering	16,986	-	-	16,986	-	-	16,986
Event Production and management	250,718	-	-	250,718	-	-	250,718
Travel, meals, and entertainment	24,729	-	-	24,729	-	-	24,729
Other	10,356	-	-	10,356	-	-	10,356
Total concert expenses	954,324	-	-	954,324	-	-	954,324
Veterans career hiring event expenses:							
Event professional fees	-	-	49,464	49,464	-	-	49,464
Facility	-	-	4,375	4,375	-	-	4,375
Total veterans career hiring event expenses	-	-	53,839	53,839	-	-	53,839
Advertising, marketing and promotion							
Audio and video	-	-	602	602	1,695	21,303	23,600
Auction items	-	-	-	-	-	403	403
Bank and credit card fees	-	-	-	-	-	3,786	3,786
Depreciation expense	-	-	-	-	8,367	-	8,367
Golf tournament	-	-	-	-	326	-	326
Grants and contributions	165,500	-	-	165,500	-	24,132	24,132
Interest expense	-	-	-	-	-	-	165,500
Office expenses	-	-	-	-	43	-	43
Professional fees	-	-	7,050	7,050	3,714	1,203	4,917
Shipping	-	-	-	-	60,098	3,969	71,117
Travel, meals, and entertainment	-	-	-	-	472	15	487
Website expenses	-	-	1,703	1,703	2,659	1,035	5,397
Total expenses	\$ 1,119,824	\$ -	\$ 63,194	\$ 1,183,018	\$ 78,548	\$ 55,846	\$ 1,317,412

AMERICAN FREEDOM FOUNDATION, INC.
Statement of Functional Expenses
Year Ended December 31, 2011

	Program Services					Supporting Services			Total
	Concerts	BFF Bracelets	Veterans		Total Program	Management and General	Fundraising		
			Hiring Event	Career					
Concert expenses:									
Artists fees	\$ 325,396	\$ -	\$ -	-	\$ 325,396	\$ -	\$ -	\$ -	\$ 325,396
Facility	75,927	-	-	-	75,927	-	-	-	75,927
Audio, video and lighting	135,202	-	-	-	135,202	-	-	-	135,202
Advertising	130,000	-	-	-	130,000	-	-	-	130,000
Catering	19,922	-	-	-	19,922	-	-	-	19,922
Production	15,050	-	-	-	15,050	-	-	-	15,050
Stagehands	11,707	-	-	-	11,707	-	-	-	11,707
Travel	25,662	-	-	-	25,662	-	-	-	25,662
Other	23,878	-	-	-	23,878	-	-	-	23,878
Total concert expenses	762,744	-	-	-	762,744	-	-	-	762,744
Veterans career hiring event expenses:									
Event professional fees	-	-	-	40,000	40,000	-	-	-	40,000
Facility	-	-	-	3,250	3,250	-	-	-	3,250
Total veterans career hiring event expenses	-	-	-	43,250	43,250	-	-	-	43,250
Advertising, marketing and promotion									
Audio and video	-	2,836	-	-	2,836	350	14,607	17,793	
Bank and credit card fees	-	-	-	-	-	-	1,829	1,829	
Depreciation expense	-	-	-	-	-	3,488	-	3,488	
Grants and contributions	-	-	-	-	-	82	-	82	
Legal and professional	216,750	-	-	-	216,750	-	-	216,750	
Office expenses	-	-	-	-	-	97,475	5,625	103,100	
Shipping	-	170	-	-	170	1,404	498	2,072	
Travel	-	-	-	-	-	-	-	-	
Website expenses	-	-	-	-	-	560	766	1,326	
Total expenses	\$ 979,494	\$ 5,061	\$ 43,250	\$ 1,027,805	\$ 1,027,805	\$ 104,835	\$ 23,325	\$ 1,155,965	

AMERICAN FREEDOM FOUNDATION, INC.
Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Total (decrease) increase in net assets (deficiency)	\$ (178,938)	\$ 65,986
Adjustments to reconcile (decrease) increase in net assets (deficiency) to cash provided (used) by operating activities:		
Depreciation	326	82
(Increase) in sponsorship receivables	(16,500)	-
(Increase) in contribution receivables	(2,840)	-
Decrease (increase) in donated auction item	10,000	(10,000)
Increase (decrease) in accounts payable	52,066	(18,249)
(Decrease) increase in accrued expenses	(12,000)	12,000
Increase in unconditional promises to give to others	80,000	-
Net cash (used) provided by operating activities	(67,886)	49,819
Cash flows from investing activities		
Payments for the purchase of equipment	-	(1,632)
Net cash used by investing activities	-	(1,632)
Net (decrease) increase in cash	(67,886)	48,187
Cash at beginning of year	96,258	48,071
Cash at end of year	\$ 28,372	\$ 96,258
Supplemental cash flow disclosures:		
Cash paid for:		
Interest	\$ 43	\$ -

AMERICAN FREEDOM FOUNDATION, INC.
Notes to Financial Statements
Years Ended December 31, 2012 and 2011

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 Service Division of Consumer Services 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 raise awareness for veterans and wounded warrior issues as well as to raise money to support others that provide services to the military and their families who have special needs. The concerts were held on May 5, 2012, May 26, 2012 and November 10, 2012, May 28, 2011 and November 12, 2011. The Organization also has a program service called the Best Armed Forces Friends ("BFF"). The BFF program is designed to unite American citizens with military service members to show support and appreciation for their service and hard work. The Organization receives contributions for the BFF bracelets that are sold by an independent third party. The BFF program was discontinued in 2012. 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 is free and open to veterans and active duty military.

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, 2012 and 2011.

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, 2012 and 2011

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, 2012 and 2011, there are no cash equivalents.

Receivables

Sponsorship and contribution receivables are recorded at their net realizable value. The Organization has collected 100% of the balances at December 31, 2012 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.

Fair Value Measurements

Assets and liabilities measured at fair value are recorded in accordance with FASB ASC 820-10, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820-10 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Inputs – Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Unobservable inputs in which there is little or no market data, which requires management to develop their assumptions.

The Organization's financial instruments consist of cash, receivables and accounts payable. The recorded value of cash, receivables and accounts payable approximates fair value based on their short-term nature using Level 1 inputs.

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.

AMERICAN FREEDOM FOUNDATION, INC.
Notes to Financial Statements - Continued
Years Ended December 31, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses were \$244,953 and \$147,793 for the years ended December 31, 2012 and 2011, respectively.

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 2010, 2011 and 2012 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 – DONATED AUCTION ITEM

The Organization received a donation of a motorcycle to be sold to the highest bidder in an auction during the year ended December 31, 2011. The fair market value of the donated motorcycle on the date of donation was \$10,000.

AMERICAN FREEDOM FOUNDATION, INC.
Notes to Financial Statements - Continued
Years Ended December 31, 2012 and 2011

NOTE 4 – CONCENTRATIONS

Financial instruments that are exposed to concentrations of credit risk consist of cash and receivables. The cash is kept in a large commercial bank. The receivables have been collected in full subsequent to year end at December 31, 2012. The Organization requires no collateral for the receivables. As of December 31, 2012 and 2011, the Organization had no significant concentrations of credit risk.

The Organization received 94% and 92% of the total support and revenues from concert sponsors and ticket sales for the years ended December 31, 2012 and 2011, respectively.

One sponsor accounted for 25% and one sponsor accounted for 21% of the total 2012 and 2011 sponsorship income, respectively.

NOTE 5 – IN-KIND SUPPORT

The Organization received in-kind support from sponsors in connection with the concerts held in 2012 and 2011. 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, 2012 and 2011 as follows:

	2012	2011
Donated auction item (asset)	\$ -	\$ 10,000
Advertising	110,349	62,500
Audio, video and lighting	-	24,032
Event production and management	27,072	-
Other concert expenses	-	15,000
Facility	13,669	12,775
Total in-kind support	\$ 151,090	\$ 124,307

NOTE 6 – RELATED PARTY TRANSACTIONS

The Organization paid a member of the Board of Directors to produce the concerts and for management and general activities for the Organization for the years ended December 31, 2012 and 2011. The amounts paid to the board member for these services were \$106,000 and \$72,000 for the years ended December 31, 2012 and 2011, respectively. Accrued expenses also related to services performed by this individual in the amounts of \$0 and \$12,000 at December 31, 2012 and 2011, respectively.

AMERICAN FREEDOM FOUNDATION, INC.
Notes to Financial Statements - Continued
Years Ended December 31, 2012 and 2011

NOTE 7 – ACCUMULATED DEFICIENCY AND MANAGEMENT’S PLANS

As indicated in the accompanying financial statements, the Organization showed a decrease in net assets of \$178,938 during the year ended December 31, 2012. As of that date, the Organization’s current liabilities exceeded its current assets by \$84,680 and its total liabilities exceeded its total assets by \$83,456. 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 is developing plans to generate additional sponsorships, significantly 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 8 – SUBSEQUENT EVENT

The Organization has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2012 through September 13, 2013, the date the financial statements were available to be issued.