

AMERICAN FREEDOM FOUNDATION, INC.

Audited Financial Statements

Years Ended December 31, 2013 and 2012

CONTENTS

Independent Auditor's Report	1 - 2
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Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 11

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, 2013 and 2012, 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, 2013 and 2012, 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 6 to the financial statements, the Organization has a net deficiency in net assets at December 31, 2013 and 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 6. 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 black ink, appearing to read "Stichel, CPA, PC". The signature is written in a cursive, flowing style.

White House, Tennessee
April 30, 2014

AMERICAN FREEDOM FOUNDATION, INC.
Statements of Financial Position
December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets		
Cash	\$ 7,384	\$ 28,372
Sponsorship receivables	-	16,500
Contribution receivables	-	2,840
Total current assets	7,384	47,712
Equipment		
Office equipment	1,632	1,632
Less: accumulated depreciation	(734)	(408)
Net equipment	898	1,224
Total assets	\$ 8,282	\$ 48,936
LIABILITIES AND NET ASSETS (DEFICIENCY)		
Current liabilities		
Accounts payable	\$ 56,072	\$ 52,392
Deferred revenue	47,000	-
Unconditional promises to give to others	60,000	80,000
Total liabilities	163,072	132,392
Unrestricted net assets (deficiency)	(154,790)	(83,456)
Total liabilities and net assets (deficiency)	\$ 8,282	\$ 48,936

AMERICAN FREEDOM FOUNDATION, INC.
Statements of Activities
Years Ended December 31, 2013 and 2012

	2013	2012
Unrestricted net assets		
Support and revenues		
Sponsorships	\$ 674,981	\$ 891,996
Exhibitor income	37,950	-
Concert tickets	195,834	180,067
Contributions	89,219	59,115
Reimbursed expenses	13,834	-
Golf tournament	-	7,295
Interest income	1	1
Total support and revenues	1,011,819	1,138,474
Expenses		
Program services	975,771	1,183,018
Management and general	88,919	78,548
Fundraising	18,463	55,846
Total expenses	1,083,153	1,317,412
(Decrease) increase in net assets (deficiency)	(71,334)	(178,938)
Net assets (deficiency) at beginning of year	(83,456)	95,482
Net assets (deficiency) at end of year	\$ (154,790)	\$ (83,456)

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

	Program Services				Supporting Services		
	Warriors To				Management and General	Fundraising	Total
	The Workforce						
Concerts	Hiring Events	Scholarships	Total Program	Management and General	Fundraising	Total	
Artists fees	\$ 259,386	-	-	\$ 259,386	-	-	\$ 259,386
Facility	65,432	13,810	-	79,242	-	-	79,242
Audio, video and lighting	36,432	566	-	36,998	-	2,500	39,498
Advertising, marketing and promotion	261,125	5,335	12,000	278,460	2,181	9,900	290,541
Catering	21,889	1,341	-	23,230	285	-	23,515
Event production and management	145,658	8,652	-	154,310	-	-	154,310
Stagehands	24,541	-	-	24,541	-	-	24,541
Travel, meals, and entertainment	20,711	9,145	1,838	31,694	5,378	901	37,973
Ticket expense	8,779	-	-	8,779	-	-	8,779
Other	8,787	1,256	-	10,043	-	591	10,634
Professional fees	-	38,306	-	38,306	75,267	2,450	116,023
Audio and video	-	-	-	-	-	-	-
Bank and credit card fees	3,541	537	-	4,078	2,139	-	6,217
Depreciation expense	-	-	-	-	326	-	326
Grants and contributions	26,000	-	-	26,000	100	-	26,100
Interest expense	-	-	-	-	37	-	37
Office expenses	-	28	-	28	1,604	2,034	3,666
Shipping	592	84	-	676	303	87	1,066
Website expenses	-	-	-	-	1,299	-	1,299
Total expenses	<u>\$ 882,873</u>	<u>\$ 79,060</u>	<u>\$ 13,838</u>	<u>\$ 975,771</u>	<u>\$ 88,919</u>	<u>\$ 18,463</u>	<u>\$ 1,083,153</u>

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

	Program Services				Supporting Services		
	Concerts	Warriors To The Workforce Hiring Events	Scholarships	Total Program	Management and General	Fundraising	Total
Artists fees	\$ 350,613	-	\$ -	\$ 350,613	\$ -	-	\$ 350,613
Facility	79,569	4,375	-	83,944	-	-	83,944
Advertising, marketing and promotion	221,353	602	-	221,955	1,695	21,303	244,953
Catering	16,986	-	-	16,986	-	-	16,986
Event production and management	250,718	-	-	250,718	-	-	250,718
Travel, meals, and entertainment	24,729	1,703	-	26,432	2,659	1,035	30,126
Ticket expense	3,289	-	-	3,289	-	-	3,289
Other	7,067	-	-	7,067	-	-	7,067
Professional fees	-	56,514	-	56,514	60,098	3,969	120,581
Audio and video	-	-	-	-	-	403	403
Auction items	-	-	-	-	-	3,786	3,786
Bank and credit card fees	-	-	-	-	8,367	-	8,367
Depreciation expense	-	-	-	-	326	-	326
Golf tournament	-	-	-	-	-	24,132	24,132
Grants and contributions	165,500	-	-	165,500	-	-	165,500
Interest expense	-	-	-	-	43	-	43
Office expenses	-	-	-	-	3,714	1,203	4,917
Shipping	-	-	-	-	472	15	487
Website expenses	-	-	-	-	1,174	-	1,174
Total expenses	<u>\$ 1,119,824</u>	<u>\$ 63,194</u>	<u>\$ -</u>	<u>\$ 1,183,018</u>	<u>\$ 78,548</u>	<u>\$ 55,846</u>	<u>\$ 1,317,412</u>

AMERICAN FREEDOM FOUNDATION, INC.
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Total (decrease) increase in net assets (deficiency)	\$(71,334)	\$(178,938)
Adjustments to reconcile (decrease) increase in net assets (deficiency) to cash provided (used) by operating activities:		
Depreciation	326	326
Decrease (increase) in sponsorship receivables	16,500	(16,500)
Decrease (increase) in contribution receivables	2,840	(2,840)
Decrease (increase) in donated auction item	-	10,000
Increase (decrease) in accounts payable	3,680	52,066
Increase in deferred revenue	47,000	-
Decrease in accrued expenses	-	(12,000)
(Decrease) increase in unconditional promises to give to others	(20,000)	80,000
Net cash (used) provided by operating activities	(20,988)	(67,886)
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net (decrease) increase in cash	(20,988)	(67,886)
Cash at beginning of year	28,372	96,258
Cash at end of year	\$ 7,384	\$ 28,372
Supplemental cash flow disclosures:		
Cash paid for:		
Interest	\$ 37	\$ 43

AMERICAN FREEDOM FOUNDATION, INC.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012

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 18 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 March 22, 2013, May 25, 2013 and November 10, 2013 and May 5, 2012, May 26, 2012 and November 10, 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, 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 February 29, 2013, May 25, 2013 and October 19 – 21, 2013. In addition, the Organization created a new program in 2011 called the AFF/Kaplan University Scholarship Program. This program provides scholarships to military spouses and dependents. To date over 200 scholarships have been awarded in 41 states and 7 countries valued in excess of \$4.2 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, 2013 and 2012.

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, 2013 and 2012

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, 2013 and 2012, 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 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, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses were \$290,541 and \$244,953 for the years ended December 31, 2013 and 2012, 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 2011, 2012 and 2013 are subject to examination by the IRS, generally three years after they were filed.

Reclassifications

Certain reclassifications have been made in the 2012 financial statements to conform to the current year presentation.

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 cash and receivables. The cash is kept in a large commercial bank. The receivables have been collected in full as of December 31, 2013. The Organization requires no collateral for the receivables.

The Organization received 86% and 94% of the total support and revenues from sponsors and ticket sales for the years ended December 31, 2013 and 2012, respectively.

One sponsor accounted for 25% of the total 2012 sponsorship income.

AMERICAN FREEDOM FOUNDATION, INC.
Notes to Financial Statements - Continued
Years Ended December 31, 2013 and 2012

NOTE 4 – 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, 2013 and 2012. The amounts paid to the board member for these services were \$97,000 and \$106,000 for the years ended December 31, 2013 and 2012, respectively.

NOTE 5 – IN-KIND SUPPORT

The Organization received in-kind support from sponsors in connection with the concerts held in 2013 and 2012. 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, 2013 and 2012 as follows:

	2013	2012
Advertising, marketing and promotion	\$ 181,500	\$ 110,349
Event production and management	29,781	27,072
Facility	17,500	13,669
Total in-kind support	\$ 228,781	\$ 151,090

NOTE 6 – ACCUMULATED DEFICIENCY AND MANAGEMENT’S PLANS

As indicated in the accompanying financial statements, the Organization showed a decrease in net assets of \$71,334 and \$178,938 for the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, the Organization’s current liabilities exceeded its current assets by \$155,688 and \$84,680, respectively, and its total liabilities exceeded its total assets by \$154,790 and \$83,456, 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 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 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, 2013 through April 30, 2014, the date the financial statements were available to be issued.