

FREEDOMS FOUNDATION AT VALLEY FORGE
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019



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**FREEDOMS FOUNDATION AT VALLEY FORGE
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YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Freedoms Foundation at Valley Forge
Valley Forge, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Freedoms Foundation at Valley Forge (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and 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 and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 from 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 auditors' 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.

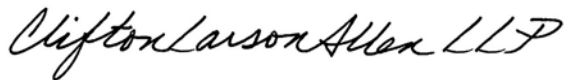
Board of Directors
Freedoms Foundation at Valley Forge

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Freedoms Foundation at Valley Forge as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to these matters.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
May 12, 2020

**FREEDOMS FOUNDATION AT VALLEY FORGE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

ASSETS

CURRENT ASSETS

Cash - Operations	\$ 224,910
Accounts Receivable, Net	48,088
Bequest Receivable, Net	13,747
Prepaid Expenses and Other Assets	74,870
Total Current Assets	361,615

INVESTMENTS

10,060,598

REAL ESTATE AND EQUIPMENT

2,963,021

BENEFICIAL INTEREST IN PERPETUAL TRUSTS

294,638

Total Assets

\$ 13,679,872

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Capital Lease, Current Portion	\$ 4,440
Accrued Expenses	63,585
Deferred Revenue	54,410
Accounts Payable	99,502
Total Current Liabilities	221,937

LONG-TERM LIABILITIES

Capital Lease, Net of Current Portion	8,771
Accrued Asbestos Removal Liability	70,306
Total Long-Term Liabilities	79,077

Total Liabilities

301,014

NET ASSETS

Without Donor Restrictions	8,925,427
With Donor Restrictions	4,453,431
Total Net Assets	13,378,858

Total Liabilities and Net Assets

\$ 13,679,872

**FREEDOMS FOUNDATION AT VALLEY FORGE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Bequests	\$ 923,037	\$ 735,821	\$ 1,658,858
Investment Income	114,006	45,615	159,621
Net Unrealized and Realized Gain on Investments	1,390,687	135,922	1,526,609
Increase in Value of Beneficial Interest in Perpetual Trusts	-	38,064	38,064
Educational, Youth, and Special Programs	900,595	-	900,595
Facilities Rental	76,258	-	76,258
Patriot Shop	8,467	-	8,467
Other	20,016	-	20,016
Subtotal	<u>3,433,066</u>	<u>955,422</u>	<u>4,388,488</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Program Restrictions	725,856	(725,856)	-
Satisfaction of Facility/Maintenance Restrictions	2,650	(2,650)	-
Total Net Assets Released from Restrictions	<u>728,506</u>	<u>(728,506)</u>	<u>-</u>
Total Support and Revenue	4,161,572	226,916	4,388,488
EXPENSES			
Functional Expenses:			
Program Services:			
Educational, Youth, and Special Programs	2,542,349	-	2,542,349
Awards Programs	213,167	-	213,167
Total Program Services	<u>2,755,516</u>	-	<u>2,755,516</u>
Supporting Services:			
Administration	201,808	-	201,808
Fund Development	286,931	-	286,931
Total Supporting Services	<u>488,739</u>	-	<u>488,739</u>
Total Functional Expenses	<u>3,244,255</u>	-	<u>3,244,255</u>
CHANGE IN NET ASSETS	917,317	226,916	1,144,233
Net Assets - Beginning of Period	<u>8,008,110</u>	<u>4,226,515</u>	<u>12,234,625</u>
NET ASSETS - END OF PERIOD	<u>\$ 8,925,427</u>	<u>\$ 4,453,431</u>	<u>\$ 13,378,858</u>

See accompanying Notes to Financial Statements.

**FREEDOMS FOUNDATION AT VALLEY FORGE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services			Supporting Services			Total
	Educational Program	Awards Programs	Total Program Services	Administration	Fund Development	Total Supporting Services	
Awards	\$ -	\$ 100,279	\$ 100,279	\$ -	\$ -	\$ -	\$ 100,279
Event Expenses	-	-	-	-	34,016	34,016	34,016
Instructors' Fees and Travel	179,851	-	179,851	-	-	-	179,851
Insurance	73,747	380	74,127	1,521	380	1,901	76,028
Interest	-	-	-	5,451	-	5,451	5,451
Office Expense and Supplies	40,896	1,969	42,865	4,796	2,415	7,211	50,076
Other Fees	115,143	-	115,143	85,420	27,384	112,804	227,947
Other	9,043	359	9,402	7,253	16,229	23,482	32,884
Plant Repairs and Maintenance	106,512	504	107,016	2,021	504	2,525	109,541
Postage and Freight	7,331	736	8,067	1,125	2,180	3,305	11,372
Printing and Publications	27,400	643	28,043	1,408	18,418	19,826	47,869
Professional Services	28,331	3,777	32,108	10,510	25,782	36,292	68,400
Rental and Maintenance Contracts	74,707	386	75,093	1,541	386	1,927	77,020
Salaries, Taxes, and Benefits	869,429	97,878	967,307	68,678	142,757	211,435	1,178,742
Student Meals	252,591	-	252,591	-	-	-	252,591
Telephone	24,301	2,439	26,740	3,730	2,838	6,568	33,308
Travel	483,903	2,533	486,436	3,116	12,358	15,474	501,910
Utilities	70,005	361	70,366	1,444	361	1,805	72,171
Subtotal	2,363,190	212,244	2,575,434	198,014	286,008	484,022	3,059,456
Depreciation	179,159	923	180,082	3,695	923	4,618	184,700
Amortization	-	-	-	99	-	99	99
Total	<u>\$ 2,542,349</u>	<u>\$ 213,167</u>	<u>\$ 2,755,516</u>	<u>\$ 201,808</u>	<u>\$ 286,931</u>	<u>\$ 488,739</u>	<u>\$ 3,244,255</u>

See accompanying Notes to Financial Statements.

**FREEDOMS FOUNDATION AT VALLEY FORGE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 1,144,233
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:	
Depreciation	184,700
Amortization	99
Net Unrealized Gain on Investments	(1,379,698)
Increase in Value of Beneficial Interest in Perpetual Trusts	(38,064)
Net Realized Gain on Sale of Investments	(146,911)
(Increase) Decrease in:	
Accounts Receivable	3,581
Bequest Receivable	1,805
Prepaid Expenses and Other Assets	90,056
Decrease in:	
Accounts Payable	(14,648)
Accrued Expenses	(9,830)
Deferred Revenue	23,191
Net Cash Used by Operating Activities	(141,486)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Equipment	(173,620)
Donated Stock	(20,311)
Investment Purchases	(6,109,271)
Proceeds from the Sale of Investments	6,428,153
Net Cash Provided by Investing Activities	124,951

CASH FLOWS FROM FINANCING ACTIVITIES

Payments of Capital Lease Obligation	(3,912)
Net Cash Used by Financing Activities	(3,912)

NET DECREASE IN CASH

(20,447)

Cash - Beginning of Period

245,357

CASH - END OF PERIOD

\$ 224,910

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest Paid	\$ 1,956
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See accompanying Notes to Financial Statements.

**FREEDOMS FOUNDATION AT VALLEY FORGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Freedoms Foundation at Valley Forge (FFVF) was founded in 1949 as a nonprofit, nonpolitical, nonsectarian organization to carry out programs aimed at stimulating a better national understanding and appreciation of our American heritage of personal freedoms and responsibilities.

Toward this end, FFVF conducts a multifaceted operation which includes: conferences structured to teach principles of leadership to youth; college credit seminars, and workshops on freedoms as they relate to a variety of subjects for teachers and other interested individuals; cash awards presented to high school and college level instructors for presentations independently judged for excellence in private enterprise and education; and annual awards presented to individuals, organizations, schools, and armed forces personnel for contributions in the development of responsible citizenship. In addition, FFVF conducts programs and provides materials on responsible citizenship; and maintains 52 acres, dedicated by the state or territory, honoring recipients of the Medal of Honor.

FFVF receives funding from private contributions, educational institutions, as well as government grants.

Programs are conducted from Valley Forge, Pennsylvania, and assistance is provided by approximately 1,200 volunteers who are members of 22 chapters located in 14 states.

Condensed Chapter Financial Information

The accompanying financial statements include the assets, liabilities, net assets, and activities of FFVF only and do not include those of its chapters.

The chapters operate independently under charters granted by FFVF. The charters provide that upon dissolution, all chapter assets (and liabilities, if any) revert to FFVF. In this context, generally accepted accounting principles permit, but do not require, FFVF to consolidate its chapters. Management of FFVF is responsible for the balances of and changes in Foundation net assets and, therefore, presents its financial statements on a stand-alone basis, without consolidating the chapters.

Summarized unaudited information regarding the chapters as of and for the year ended December 31, 2019 is as follows:

Total Assets	\$ 1,715,750
Total Net Assets	1,715,750
Total Revenues	689,531
Total Expenses	575,097

**FREEDOMS FOUNDATION AT VALLEY FORGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

FFVF follows ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The standard requires FFVF to classify its net assets into two categories: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions include amounts restricted in perpetuity by the donor in accordance with the original or amended gift documents. It also includes monies donated and specifically restricted by the donor for certain purposes. When such restrictions are satisfied, net assets are then reclassified to net assets without donor restrictions. All other activities of FFVF are considered net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

Cash

Cash includes amounts in checking accounts and money market funds.

Accounts Receivable

FFVF provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Accounts past due 90 days are individually analyzed for collectibility. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off. At December 31, 2019, an allowance of \$4,500 was warranted.

Investments

Investments are stated at fair value, as described below. Investments in money market funds are valued at cost which approximates fair value, and mutual funds are valued at their net asset value at year-end.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities could occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

**FREEDOMS FOUNDATION AT VALLEY FORGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real Estate and Equipment and Depreciation

Land and land improvements are stated at appraised value determined by management on February 13, 1959, plus subsequent additions at cost. Buildings, furniture, fixtures, and equipment are stated at cost. Donated assets are stated at the fair market value as of the date the donation was received. Assets with a cost of \$1,000 or greater and an estimated useful life of greater than one year are capitalized. Depreciation is provided for on the straight-line basis over the estimated useful lives of the assets.

Income Recognition

Educational programs and seminars are recognized as the related programs are provided. Any deposits received for the following fiscal year are deferred to the assessment period in which they relate or when the event takes place.

Donated Assets

Donated assets are recorded at the fair market or appraisal value at the date the gift is received. If values are not reasonably determinable, the donations are not recorded.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. All donor-restricted contributions are reported as increases in net assets with donor restrictions depending upon the nature of the restrictions. When a restriction expires, (i.e. the donor-stipulated purposes has been fulfilled and/or the stipulated time period has elapsed) net assets with donor restrictions are reported as net assets released from restrictions.

Some net assets are restricted by the donor in perpetuity. However, there are certain instances (see Note 9) in which the principal may be released from restriction and utilized by FFVF. All principal released from restriction by the donor is reported in the statement of activities as net assets released from restrictions.

Functional Expenses

Where applicable, expenses are attributed to the specific program or supporting functions to which they relate. When expenses are attributable to one or more program or supporting functions they are allocated using the most appropriate of several methodologies, including principally estimates of time and effort by staff and relative usage of the various buildings on FFVF's campus. All staff compensation, computer support, office supplies, payroll processing, telephone, and similar expenses are allocated based on estimates of time and effort by staff. Depreciation, insurance, building and grounds maintenance, and similar expenses are allocated based on relative usage of the various buildings on FFVF's campus.

**FREEDOMS FOUNDATION AT VALLEY FORGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

FFVF qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal or state income taxes. FFVF follows the income tax standard for uncertain tax positions. The application of this standard has no impact on FFVF's financial statements. FFVF's informational tax returns are subject to review and examination by federal, state, and local authorities. FFVF is not aware of any activities that would jeopardize its tax-exempt status.

Fair Value Measurements

FFVF has categorized its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value of the instrument.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that FFVF has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active market or nonactive market.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following table presents FFVF's fair value for those assets measured at fair value on a recurring basis as of December 31, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 3,495,460	\$ -	\$ -	\$ 3,495,460
Fixed Income	-	248,749	-	248,749
Mutual Funds	5,520,558	-	-	5,520,558
Beneficial Interest in Perpetual Trusts	-	-	294,638	294,638
Total	<u>\$ 9,016,018</u>	<u>\$ 248,749</u>	<u>\$ 294,638</u>	<u>\$ 9,559,405</u>

FREEDOMS FOUNDATION AT VALLEY FORGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The following table provides a summary of changes in the fair value of FFVF's Level 3 financial assets for the year ended December 31, 2019:

Balance - January 1, 2019	\$ 256,574
Change in Value of Beneficial Interest in Perpetual Trusts	<u>38,064</u>
Balance - December 31, 2019	<u><u>\$ 294,638</u></u>

There have been no changes in the valuation methodologies used at December 31, 2019.

FFVF has recorded \$795,831 of money market accounts at cost, which management believes approximates fair value.

New Accounting Pronouncements

In 2019, FFVF adopted FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. No changes were made to previously reported net assets as a result of adopting this standard.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606.

Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. FFVF's financial statements reflect the application of ASC 606 guidance beginning in 2019. No cumulative effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact FFVF's reported historical revenue.

Subsequent Events

In preparing these financial statements, FFVF has evaluated events and transactions for potential recognition or disclosure through May 12, 2020, the date the financial statements were available to be issued.

**FREEDOMS FOUNDATION AT VALLEY FORGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

NOTE 2 INVESTMENTS

Investments, by type, at December 31, 2019 consist of:

	<u>Cost</u>	<u>Fair Value</u>
Money Markets	\$ 795,831	\$ 795,831
Fixed Income	235,244	248,749
Equities	2,971,383	3,495,460
Mutual Funds	5,207,803	5,520,558
Total	<u>\$ 9,210,261</u>	<u>\$ 10,060,598</u>

NOTE 3 REAL ESTATE AND EQUIPMENT AND DEPRECIATION

Real estate and equipment at December 31, 2019 consist of the following:

Land and Land Improvements	\$ 306,696
Buildings and Improvements	4,089,620
Equipment, Furniture, and Fixtures	1,511,866
Medal of Honor Grove and Monuments	784,843
Total	<u>6,693,025</u>
Less: Accumulated Depreciation	<u>(3,730,004)</u>
Total Real Estate and Equipment	<u>\$ 2,963,021</u>

Depreciation expense for the year ended December 31, 2019 was \$184,700.

NOTE 4 LINE OF CREDIT

FFVF has a \$1,000,000 line of credit available, which is secured by all of FFVF's assets. Borrowings under the line of credit, which are payable on demand, bear interest at the Wall Street Journal prime rate (4.75% at December 31, 2019). The line of credit expires December 1, 2022. The loan agreement requires FFVF to maintain certain financial ratios. There were no borrowings outstanding under the line of credit at December 31, 2019.

NOTE 5 CAPITAL LEASE OBLIGATION

FFVF entered into a long-term lease for an office copier in 2017. At December 31, 2019, the cost of equipment and accumulated depreciation related to the capital lease obligation was \$21,626 and \$8,650, respectively. At December 31, 2019, future minimum rental payments required under the capital lease are as follows:

**FREEDOMS FOUNDATION AT VALLEY FORGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

NOTE 5 CAPITAL LEASE OBLIGATION (CONTINUED)

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 5,868
2021	5,868
2022	<u>3,912</u>
Total Minimum Lease Payments	15,648
Less: Amount Representing Interest	<u>2,437</u>
Present Value of Minimum Lease Payments	13,211
Less: Current Portion	<u>4,440</u>
Total	<u><u>\$ 8,771</u></u>

NOTE 6 RETIREMENT PLAN

FFVF has a voluntary contribution annuity pension plan covering all eligible employees. FFVF's contribution varies according to length of employee service. Pension expense under the plan was \$78,425 for the year ended December 31, 2019.

NOTE 7 LEASE COMMITMENTS

FFVF leases a postage meter which is considered an operating lease. This lease term expires in 2023. Total rent expense under this agreement amounted to \$1,902 for the year ended December 31, 2019.

Minimum lease commitments under this lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 1,902
2021	1,902
2022	1,902
2023	<u>1,427</u>
Total	<u><u>\$ 7,133</u></u>

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets at December 31, 2019 are restricted as to purpose and are available for the following purposes:

Programs	\$ 572,930
Building and Campus Renovations and Maintenance	<u>150,752</u>
Total	<u><u>\$ 723,682</u></u>

**FREEDOMS FOUNDATION AT VALLEY FORGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets held in perpetuity at December 31, 2019 consist of the following:

Leavey Operating	\$ 1,000,000
Leavey Awards	2,000,000
Beneficial Interest in Perpetual Trusts	294,638
George Washington Honor Medal	60,100
Other Endowment Funds	375,011
Total	<u>\$ 3,729,749</u>
Total Net Assets with Donor Restrictions	<u>\$ 4,453,431</u>

NOTE 9 ENDOWMENTS

Leavey Foundation

In January 1986, FFVF received a \$1,000,000 operating endowment-matching grant from the Thomas and Dorothy Leavey Foundation. Under the terms of the grant, FFVF was required to raise an additional \$1,000,000 in cash and pledges. The matching pledges and income earned from this grant have no restrictions as to use.

In April 1982, FFVF received a \$2,000,000 award grant from the Thomas and Dorothy Leavey Foundation. The Thomas and Dorothy Leavey Foundation restricted these assets in perpetuity. FFVF may, at times, use amounts of principal, with prior approval of the Thomas and Dorothy Leavey Foundation Trustees. The interest, dividends, realized gains, and unrealized gains are available for FFVF to distribute awards to high school teachers and faculty who excel in teaching the private enterprise system, and to defray expenses of administering the program. Amounts earned in excess of the expenses permitted are available for the future awards to be distributed within a five-year period or returned to the grantor.

The Thomas and Dorothy Leavey Foundation requires FFVF to provide an annual accounting of the Leavey Awards investment account. That accounting, along with an annual planning document and budget prepared by FFVF, is discussed with the Trustees of the Thomas and Dorothy Leavey Foundation, and each year's expenditure of funds in support of the award program is determined with their prior approval.

The HBE Foundation

In March 2016, The HBE Foundation offered a five-year gift in the total amount of \$50,000 requiring 1-1 matching to create a permanent endowment for the George Washington Honor Medal program. FFVF accepted the offer and its associated terms and committed to fund any shortfall in matching contributions from unrestricted gifts if that situation were to occur. As of December 31, 2019 HBE has contributed \$30,000 (including \$10,000 during the current fiscal year) and \$30,000 matching contributions have been received (including \$10,000 during the current fiscal year). Investment earnings on funds received are available to support the program.

**FREEDOMS FOUNDATION AT VALLEY FORGE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

NOTE 9 ENDOWMENTS (CONTINUED)

Management and Accounting

All endowment investments are managed by a reputable investment advisory firm. Fluctuations in market value of related investments in excess of original restricted principal amounts (\$1,000,000, \$2,000,000 and \$60,000 respectively for the Leavey and HBE endowments) are reflected through net assets with donor restrictions (if any) and then through net assets without donor restrictions. The documents governing the assets discussed above do not contain any obligation on the part of FFVF to restore losses resulting from declines in market value in these investments.

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires FFVF to retain as a fund of perpetual duration. No such deficiency existed as of December 31, 2019.

FFVF generally appropriates the direct costs associated with the annual Leavey Awards event together with associated indirect costs from the fund. Due to a deficiency in the fair value of assets in the prior fiscal year, FFVF appropriated less than the full costs (\$85,000) during the year ended December 31, 2019.

A summary of the endowment activity by net asset class for the year ended December 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Assets - Beginning of Year	\$ (68,084)	\$ 3,588,625	\$ 3,520,541
Investment Return:			
Investment Income	25,178	45,615	70,793
Realized Gain (Loss)	13,453	(581)	12,872
Unrealized Gain	<u>341,947</u>	<u>136,503</u>	<u>478,450</u>
Total Investment Return	380,578	181,537	562,115
Contributions	-	20,100	20,100
Appropriations for Expenditure	<u>(65,266)</u>	<u>(124,684)</u>	<u>(189,950)</u>
Endowment Assets - End of Year	<u>\$ 247,228</u>	<u>\$ 3,665,578</u>	<u>\$ 3,912,806</u>

The above endowment activity does not include \$294,638 of beneficial interest in perpetual trust shown on the statement of financial position and included in net assets with donor restriction.

NOTE 10 CONCENTRATION OF CREDIT RISK

FFVF maintains its cash accounts at a Pennsylvania commercial bank. At times during the year, the amount on deposit with that bank may have exceeded the \$250,000 federally insured limit.

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NOTE 11 BENEFICIAL INTEREST IN PERPETUAL TRUSTS

FFVF has been named as the beneficiary in two trust agreements. The investment principal remains part of the trusts and is not the property of FFVF. Therefore, FFVF has no right to the investment principal.

Because FFVF will receive a perpetual stream of income from the trusts, the projected contributions are classified as part of net assets with donor restrictions at December 31, 2019.

Given the nature of the promises as well as the inability to compute the present value of the income stream, the beneficial interests have been recorded on the statement of financial position at the fair value of FFVF's proportionate share of the trusts as of the statement of financial position date.

FFVF's share of the appropriate fair value of \$3,672,172 in these trusts amounted to \$294,638 at December 31, 2019. The fluctuation in the fair value of the trusts from year to year is included as restricted support and revenue in the statement of activities.

NOTE 12 REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about the significant changes in FFVF's deferred revenue for the year ended December 31, 2019.

Deferred Revenue, Beginning of Year	\$ 31,219
Program Fees Recognized	(900,595)
Collections of Program Fees	923,786
Deferred Revenue, End of Year	<u>\$ 54,410</u>

NOTE 13 LIQUIDITY

As part of FFVF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due while also providing investment returns. Accordingly, FFVF invests cash in excess of short term requirements in a range of investment instruments (see Note 2 for disclosures about investments).

FFVF receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Donor-restricted endowment funds are not available to meet cash needs for general expenditures except to the extent of investment earnings and distributions restricted for programs which are ongoing, major, and central to FFVF's annual operations (see Note 9 for disclosures about endowments). FFVF's Beneficial Interest in Perpetual Trusts are not available to meet cash needs for general expenditures (see Note 11 for disclosures about beneficial interests).

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NOTE 13 LIQUIDITY (CONTINUED)

The following tables show the total financial assets held by FFVF at December 31, 2019 and the amounts of those financial assets that are available within one year to meet cash needs for general expenditures.

Financial Assets at Year-End:	
Cash and Cash Equivalents	\$ 224,910
Short-Term Investments	6,153,795
Accounts Receivable	61,699
Other Investments	3,906,803
Beneficial Interest in Perpetual Trusts	294,638
Total	<u>\$ 10,641,845</u>

Financial Assets Available to Meet General Expenditures Over the Next 12 Months:	
Cash and Cash Equivalents	\$ 224,910
Short-Term Investments	5,948,263
Accounts Receivable	47,948
Other Investments Appropriated for Current Use	301,475
Total	<u>\$ 6,522,596</u>

NOTE 14 RISKS, UNCERTAINTIES, AND SUBSEQUENT EVENT

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. Specific to FFVF, COVID-19 may impact various parts of its 2020 operations and financial results including Educational, Youth, and Special Programs. Management believes FFVF is taking appropriate actions to mitigate the negative impact by working to postpone the programs and special events, instead of cancelling. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2019.

During the period from January 1, 2020, through May 12, 2020, both domestic and international equity markets have experienced large declines. These losses are not included in the financial statements as of and for the year ended December 31, 2019.

Subsequent to year-end, FFVF received a loan in the amount of \$211,099 to fund payroll expenses and utilities through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

