

***Financial Statements
For the Year Ended
June 30, 2023***

Fear 2 Freedom, Inc.

FEAR 2 FREEDOM



Fear 2 Freedom, Inc.

Contents

	Page
<i>Independent Auditors' Report</i>	1 - 2
<i>Financial Statements</i>	
<i>Statement of Financial Position</i>	3
<i>Statement of Activities</i>	4
<i>Statement of Functional Expenses</i>	5
<i>Statement of Cash Flows</i>	6
<i>Notes to Financial Statements</i>	7 - 11



Independent Auditors' Report

To the Board of Directors
Fear 2 Freedom, Inc.

Opinion

We have audited the accompanying financial statements of ***Fear 2 Freedom, Inc.*** (Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Fear 2 Freedom, Inc.*** as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ***Fear 2 Freedom, Inc.*** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ***Fear 2 Freedom, Inc.***'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

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Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 *Fear 2 Freedom, Inc.*'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about *Fear 2 Freedom, Inc.*'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Moore Candella & Associates, CPAs

August 23, 2023

Fear 2 Freedom, Inc.

Statement of Financial Position

June 30, 2023

Assets

Current assets

Cash and cash equivalents	\$ 445,544
Accounts receivable	5,539
Inventory	89,065
Prepaid expenses	12,184
Total current assets	<u>552,332</u>

Other asset

Operating lease right of use asset - net	<u>35,396</u>
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\$ 587,728

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued expenses	\$ 23,489
Current portion of operating lease liability	<u>17,359</u>
Total current liabilities	40,848

Long-term liability

Operating lease liability - less current portion	<u>18,037</u>
Total liabilities	<u>58,885</u>

Net assets

Without donor restrictions	<u>491,272</u>
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With donor restrictions:

Restricted by purpose	28,480
Restricted by time	<u>9,091</u>
Total net assets with donor restrictions	<u>37,571</u>

Total net assets	<u>528,843</u>
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\$ 587,728

The accompanying notes are an integral part of these financial statements.

Fear 2 Freedom, Inc.

Statement of Activities

For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 94,009	\$ -	\$ 94,009
Contributions - in-kind	2,392	-	2,392
Grants	60,125	35,500	95,625
Donated facility use	4,800	-	4,800
After care kit fees	32,043	-	32,043
Celebration event fees	3,275	-	3,275
Special event - net	94,042	-	94,042
Miscellaneous	10,868	-	10,868
Net assets released from restriction	38,790	(38,790)	-
Total support and revenues	340,344	(3,290)	337,054
Functional expenses			
Program services	367,740	-	367,740
Management and general	74,588	-	74,588
Fundraising	20,559	-	20,559
Total functional expenses	462,887	-	462,887
Change in net assets	(122,543)	(3,290)	(125,833)
Net assets - beginning of year	613,815	40,861	654,676
Net assets - end of year	\$ 491,272	\$ 37,571	\$ 528,843

The accompanying notes are an integral part of these financial statements.

Fear 2 Freedom, Inc.

Statement of Functional Expenses

For the Year Ended June 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising and marketing	\$ -	\$ 5,400	\$ -	\$ 5,400
Conferences	-	2,066	2,066	4,132
Employee benefits	22,100	-	-	22,100
Insurance	3,504	819	228	4,551
Miscellaneous	-	3,433	2,551	5,984
Office supplies	14,518	4,500	-	19,018
Payroll taxes	14,854	3,578	994	19,426
Professional fees	15,936	5,949	-	21,885
Rent	26,621	2,074	1,729	30,424
Salaries and wages	200,066	46,769	12,991	259,826
Supplies - celebration events	33,724	-	-	33,724
Supplies - kits	30,571	-	-	30,571
Travel	5,846	-	-	5,846
	<u>\$ 367,740</u>	<u>\$ 74,588</u>	<u>\$ 20,559</u>	<u>\$ 462,887</u>

The accompanying notes are an integral part of these financial statements.

Fear 2 Freedom, Inc.

Statement of Cash Flows

For the Year Ended June 30, 2023

Cash flows from operating activities	
Change in net assets	\$ (125,833)
Adjustments to reconcile to net cash from operating activities:	
Change in:	
Pledges receivable	8,912
Inventory	10,899
Prepaid expenses	(4,550)
Accounts payable and accrued expenses	<u>5,930</u>
Net change in cash and cash equivalents	(104,642)
Cash and cash equivalents - beginning of year	<u>550,186</u>
Cash and cash equivalents - end of year	<u>\$ 445,544</u>
Supplemental disclosure of noncash activities	
Donated supplies and facility use	\$ 7,192
Operating lease right-of-use-asset recorded in exchange for operating lease liability	\$ 35,396

The accompanying notes are an integral part of these financial statements.

Fear 2 Freedom, Inc.

Notes to Financial Statements

June 30, 2023

1. Organization and Nature of Activities

Fear 2 Freedom, Inc. (Organization) is a 501(c)(3) nonprofit founded in 2011 by Rosemary Tribble. Its mission is to help restore hope and dignity to survivors of sexual assault while empowering students and communities to combat sexual violence.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares the financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue Recognition

The Organization recognizes revenue from celebration events and after care kit fees. Fees are recognized as revenue when the performance obligation of providing the kit or activity is met.

Contributions and grants are recognized at a point in time when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are considered available for use without restrictions, unless specifically restricted by the donor. All donor-restricted contributions, grants and time-restricted promises to give that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are received. All other donor-restricted contributions and grants and time-restricted promises to give are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization records special events revenue equal to the fair value of the direct benefit to donors, and contribution revenue for the difference.

Financial Statement Presentation

Net assets of the Organization and changes therein are classified and reported as:

- *Without Donor Restrictions* - Those resources not subject to donor-imposed restrictions and available for use in general operations. The Board of Directors (Board) has discretionary control over these resources. Designated amounts represent those net assets that the Board has set aside for a particular purpose.
- *With Donor Restrictions* - Those resources subject to donor-imposed restrictions that will be satisfied by action of Organization or by the passage of time.

Income Taxes

The Organization is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. The Organization has determined it does not have any material unrecognized tax benefits or obligations as of June 30, 2023. Fiscal years ending on or after June 30, 2020 remain subject to examination by federal and state tax authorities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

Prepaid Expenses

Prepaid expenses represent amounts paid in 2023 for future periods of rent and insurance coverage.

Credit Risk

Financial instruments that subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and pledges receivable. The Organization maintains cash accounts in national banks. Collected funds are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2023, the banks' collected balances exceeded FDIC coverage by \$163,965.

Inventory

The Organization values its inventory, which consists of supplies for the Aftercare Kits and the iCare Kits, at the lower of cost, determined on a first-in, first-out basis, or market.

Property and Equipment

Property and equipment are stated at cost on acquisition date or fair value on gift date. The cost of assets sold, retired, or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is currently recognized in the statement of activities. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Repairs and maintenance are expensed as incurred; improvements are capitalized. Depreciable lives of property and equipment are as follows:

	<u>Years</u>
Furniture and fixtures	5-7
Computer and equipment	5
Vehicles	5

Advertising Costs

The Organization's policy is to expense advertising costs as incurred. Advertising expense in 2023 was \$5,400.

Donated Materials and Services

The Organization records the value of donated materials or services when there is an objective basis available to measure their value. The Organization recognizes the estimated fair value of contributed services that meet the following criteria:

- The services rendered either create or enhance nonfinancial assets.
- The services received require special skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by contribution.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in their program services, which includes 1,292 volunteer hours. These services have not been recognized in the statement of activities because the criteria for recognition under applicable accounting standards have not been satisfied.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions. In 2023, there was no donated property or equipment.

Donated facility use for office and warehouse space of \$4,800 and donated supplies for special events and after care kits of \$2,392 have been reflected in the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Functional Expenses

The Organization allocates expenses directly on a functional basis among their various programs and supporting services. Expenses that relate to a specific program or supporting service are allocated directly. Other expenses that are common to several functions are allocated based on an analysis of personnel time and the relationship of each department's use of resources to the total.

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which replaced existing lease accounting guidance. The new guidance requires the Organization to continue to classify leases as either an operating or a finance lease, with the classification affecting the pattern of expense recognition in the statement of activities. In addition, the new standard requires enhanced disclosure surrounding the amount, timing and uncertainty of cash flows arising from leasing agreements. In July 2018, the FASB issued ASU No. 2018-11, which provided entities with an additional transition method. Under the new transition method, an entity initially applies

the new standard at the adoption date versus the beginning of the earliest period presented, and recognizes a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Organization made an accounting policy election to not record leases with a term of 12 months or less and will recognize related lease payments on a straight-line basis over the lease term.

3. Property and Equipment

Property and equipment at June 30, 2023 consist of the following:

Furniture and fixtures	\$ 4,637
Computer and equipment	2,379
Vehicles	<u>30,991</u>
	38,007
Less - accumulated depreciation	<u>(38,007)</u>
	<u>\$ -</u>

There was no depreciation expense for 2023.

4. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2023 are as follows:

Subject to expenditure for specific purpose:	
Program activities	<u>\$ 37,571</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the passage of time or other events specified by donors. Those amounts released from restrictions in 2023 are as follows:

Purpose restrictions accomplished:	
Program activities	\$ 29,699
Time restrictions expired:	
Passage of time expired	<u>9,091</u>
	<u>\$ 38,790</u>

5. Special Event

The Organization hosted one fundraising event during the year ended June 30, 2023. Revenue and expenses related to the special event are as follows:

Special event revenue	\$ 102,774
Less - direct costs of special event	<u>(8,732)</u>
	<u>\$ 94,042</u>

6. Liquidity and Availability

The financial assets available within one year of the statement of financial position date as of June 30, 2023, for general expenditures are as follows:

Cash and cash equivalents	\$	445,544
Accounts receivable		5,539
Less - net assets with donor restrictions		(37,571)
	\$	<u>413,512</u>

Amounts available have been reduced by amounts not available for general use within one year of the statement of financial position date due to donor-imposed restrictions. The Organization has a goal to maintain financial assets, which consists of cash on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$77,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

7. Right of Use Assets and Operating Leases

Leases previously classified as operating leases under ASC 840 will be classified as operating leases under ASC 842 if they have a lease term greater than 12 months. The Organization will use the modified retrospective approach under which leases existing at or entered after July 1, 2022 will be recognized and measured. Prior period amounts are not adjusted and continue to be reflected in accordance with the Organization's historical accounting. The remaining lease term of the leases under ASC 842 will be used in measuring the initial lease liability and the right-of-use asset.

The Organization leases warehouse space, requiring monthly lease payments of \$849 less the landlord's contribution of \$400 per month through June 2023. Lease expense for 2023 was \$10,188 including donated facility use of \$4,800.

In May 2022, the Organization entered into a three year non-cancelable operating lease for a new office, requiring monthly lease payments of \$1,650 through May 2025. Lease expense for 2023 was \$19,800.

As of June 30, 2023, future lease payments discounted at a rate of 4.87% are as follows:

2024	\$	19,800
2025		18,150
Less: discount		<u>(2,554)</u>
	\$	<u>35,396</u>

8. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 22, 2023, the date the financial statements were available to be issued.

In July 2023, the Organization renewed the lease agreement for warehouse space for an additional 12 months, requiring monthly lease payments of \$862 less a contribution of \$400 per month from the landlord.

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