

THE FREEDOM FUND

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

CONTENTS

Independent Auditor's Report	1
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Freedom Fund
New York, New York

We have audited the accompanying consolidated financial statements of The Freedom Fund, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Freedom Fund as of December 31, 2016, 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.

Correction of Error

As described in Note 9 to the financial statements, certain errors resulting in overstatement of amounts previously reported for prepaid expenses and accounts payable and accrued liabilities were discovered by management during the current year. Also during the current year management discovered an

New York Office:

230 Park Avenue, 10th Floor
New York, NY 10146
P: (212) 551-1724
F: (262) 522-7550

Washington DC Office:

400 North Washington Street
Second Floor
Alexandria, VA 22314
P: (703) 519-0990

Wisconsin Office:

2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

unrestricted contribution that was previously reported as a temporarily restricted contribution in error. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

The summarized comparative information presented herein as of and for the year ended December 31, 2015, is derived from financial statements that were audited by other auditors whose report dated May 24, 2016, expressed an unmodified opinion on those statements.

Wegner CPAs LLP

Wegner CPAs, LLP
New York, New York
May 17, 2017

THE FREEDOM FUND
Consolidated Statement of Financial Position
December 31, 2016
With Comparative Totals for December 31, 2015

ASSETS		
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,209,950	\$ 1,955,225
Advances receivable	102,972	234,043
Pledges receivable	2,326,929	1,749,153
Prepaid expenses	25,938	31,201
Total current assets	4,665,789	3,969,622
FIXED ASSETS		
Equipment	46,133	38,411
Less: Accumulated depreciation	(23,448)	(12,622)
Fixed assets - net	22,685	25,789
Total assets	\$ 4,688,474	\$ 3,995,411
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 315,261	\$ 280,118
Accrued salaries and related benefits	29,844	40,435
Total current liabilities	345,105	320,553
NET ASSETS		
Unrestricted	3,315,923	2,462,166
Temporarily restricted (Note 3)	1,027,446	1,212,692
Total net assets	4,343,369	3,674,858
Total liabilities and net assets	\$ 4,688,474	\$ 3,995,411

See accompanying notes.

THE FREEDOM FUND
Consolidated Statement of Activities
Year Ended December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

	2016			2015
	Unrestricted	Temporarily restricted	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 14,063,170	\$ 202,267	\$ 14,265,437	\$ 11,050,495
Interest and other income	11,704	-	11,704	1,033
Total support and revenue	14,074,874	202,267	14,277,141	11,051,528
EXPENSES				
Program services				
Hotspots	9,726,750	-	9,726,750	6,980,774
Global Initiatives	1,833,851	-	1,833,851	611,722
Movement Building	352,141	-	352,141	298,648
Program Quality & Learning	20,845	-	20,845	97,398
Total program services	11,933,587	-	11,933,587	7,988,542
General and administrative	868,496	-	868,496	908,855
Development and fundraising	806,547	-	806,547	769,485
Total supporting services	1,675,043	-	1,675,043	1,678,340
Total expenses	13,608,630	-	13,608,630	9,666,882
Net assets released from restrictions	387,513	(387,513)	-	-
Change in net assets	853,757	(185,246)	668,511	1,384,646
Net assets at beginning of year	2,462,166	1,212,692	3,674,858	2,288,090
Net assets at end of year	\$ 3,315,923	\$ 1,027,446	\$ 4,343,369	\$ 3,674,858

See accompanying notes.

THE FREEDOM FUND
Consolidated Statement of Cash Flows
Year Ended December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 668,511	\$ 1,384,646
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,409	9,558
Loss on disposal of equipment	1,652	1,982
(Increase) decrease in:		
Advances receivable	131,071	(81,468)
Pledges receivable	(577,776)	(357,239)
Prepaid expenses	5,263	(847,089)
(Increase) decrease in:		
Accounts payable and accrued liabilities	35,143	726,318
Accrued salaries and related benefits	(10,591)	59,112
Net cash provided by operating activities	<u>263,682</u>	<u>895,820</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(8,957)</u>	<u>(10,939)</u>
Net increase in cash and cash equivalents	254,725	884,881
Cash and cash equivalents at beginning of year	<u>1,955,225</u>	<u>1,070,344</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,209,950</u></u>	<u><u>\$ 1,955,225</u></u>

See accompanying notes.

THE FREEDOM FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016
With Comparative Totals for December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Freedom Fund is a non-profit organization, incorporated in the State of Pennsylvania in December 2013, with offices in New York and London. The Freedom Fund was conceived in mid-2013 by three founders, Humanity United, Legatum Foundation and the Walk Free Foundation. As the three major private funders in the anti-slavery space at that time, they saw the need for a private donor fund to mobilize greater funding for the sector; drive ambitious research agenda that would identify interventions that could be replicated and scaled; and unify a fragmented field. The Freedom Fund commenced operations in January 2014.

The Freedom Fund is the world's first private donor fund dedicated to identifying and investing in the most effective front-line efforts to end slavery. The Freedom Fund's mission is to mobilize the capital and knowledge needed to end slavery.

- The Freedom Fund generates private funding by demonstrating how effective interventions can protect those at risk of being enslaved and free those in slavery.
- The Freedom Fund invests in those countries and sectors with the greatest incidence of slavery.
- The Freedom Fund analyzes which interventions work best, and shares that knowledge.
- The Freedom Fund brings together a community of activists committed to ending slavery and empowered by the knowledge of how best to do so.

To carry out its mission, The Freedom Fund:

- **Raises Capital:** The Freedom Fund brings new investors into the anti-slavery space, with the goal of raising at least \$100 million by the end of 2020.
- **Works on the Frontlines:** The Freedom Fund sets up geographically defined 'hotspot' projects in the countries with the highest incidence of slavery. The Freedom Fund identifies and invests in frontline, community-based organizations. This is time intensive but is also one of the best ways to achieve sustainable impact.
- **Drives Systematic Change:** The Freedom Fund generates and supports "sector initiatives" which address slavery in specific sectors or on specific issues. The Freedom Fund also works to strengthen and institutionalize the norm against slavery. Slavery is illegal under international law and in every country, but too often governments and businesses ignore their responsibilities.

THE FREEDOM FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016
With Comparative Totals for December 31, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

- **Strengthens the Global Anti-slavery Infrastructure:** The anti-slavery field is fragmented and under-resourced. There is lack of research on what works and what doesn't. The Freedom Fund's "community-building initiatives" will help build a global community of activists by providing the platform, tools and knowledge for them to work together more effectively.

Principles of consolidation -

The consolidated financial statements include the accounts of The Freedom Fund and its subsidiary The Freedom Fund UK. All material intra-entity transactions have been eliminated.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

The Freedom Fund considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, The Freedom Fund maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Advances and pledges receivable -

Advances receivable and pledges receivable are stated at the amount management expects to collect from outstanding balances. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally four years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the years ended December 31, 2016 and 2015 totaled \$10,409 and \$9,558.

Income taxes -

The Freedom Fund is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. The Freedom Fund is not a private foundation.

THE FREEDOM FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016
With Comparative Totals for December 31, 2015

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Uncertain tax positions -

For the years ended December 31, 2016 and 2015, The Freedom Fund has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of The Freedom Fund.
- **Temporarily restricted net assets** include revenue and contributions subject to donor imposed stipulations that will be met by the actions of The Freedom Fund and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Contributions -

Unrestricted and temporarily restricted contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying consolidated financial statements.

Use of estimates -

The preparation of the consolidated 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THE FREEDOM FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016
With Comparative Totals for December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Comparative Financial Information -

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with The Freedom Fund's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Reclassification -

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

2. CONTRIBUTIONS FROM FOUNDERS (Concentration of Revenue)

In 2014, the three founders, Humanity United, Legatum Foundation and the Walk Free Foundation, committed to contribute, at a minimum, \$10 million to or on behalf of The Freedom Fund and any party may make an additional financial commitment at any time. The Freedom Fund anticipates that each founder's commitment will be paid at a rate of \$2 million annually over the first five years of The Freedom Fund's existence, depending on the timing of The Freedom Fund's needs, and conditional on satisfactory performance by The Freedom Fund, as reasonably determined each year by each founder against targets agreed on by the Board of Directors.

For the years ended December 31, 2016 and 2015, The Freedom Fund recognized a total of \$6 million (approximately 42% and 60% of total revenue) of contributions from the three founders. The Freedom Fund has no reason to believe that relationships with these founders will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect The Freedom Fund's ability to finance ongoing operations.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Thailand hotspot	\$197,702	\$176,342
Southern India hotspot	43,816	328,734
Prevalence study, Northern India	110,582	-
Rajasthan hotspot	15,328	-
Nepal hotspot	5,000	102,593
Ethiopia hotspot	49,995	-
Time restricted	<u>605,023</u>	<u>605,023</u>
Temporarily restricted net assets	<u>\$1,027,446</u>	<u>\$1,212,692</u>

THE FREEDOM FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016
With Comparative Totals for December 31, 2015

3. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	<u>2016</u>	<u>2015</u>
Southern India Hotspot	\$284,919	\$774,618
Central Nepal Hotspot	102,594	647,407
Thailand Hotspot	-	627,320
Other	-	10,000
Passage of time	-	4,009,064
	<u> </u>	<u> </u>
Net assets released from restrictions	<u>\$387,513</u>	<u>\$6,068,409</u>

4. LEASE COMMITMENTS

The Freedom Fund leases office space in the United Kingdom under a twenty-two-month lease, which originated in May 2014. In 2016, the lease was extended through February 2017. Base rent is \$8,761 per month, plus a proportionate share of expenses.

The Freedom Fund leased office space in New York in March 2016, with an initial term of 12 months. Base rent under the new lease is \$3,150 per month, plus a proportionate share of expenses.

The following is a schedule of the future minimum lease payments:

	<u>Year Ending December 31.</u>
2017	\$ 26,972

Rent expense for the years ended December 31, 2016 and 2015 was \$134,173 and \$154,646.

5. CONDITIONAL GRANTS PAYABLE

The Freedom Fund has a number of grants to various partners whereby the Freedom Fund could contribute further funding towards these entities' work on anti-slavery initiatives.

These awards are contingent on each entity meeting criteria and performance requirements as agreed upon in the contracts. As of December 31, 2016 the Freedom Fund could be liable up to \$1,083,253 if partners meet all the performance requirements in the contracts.

6. RETIREMENT PLAN

The Freedom Fund provides retirement benefits to its employees through a defined contribution plan covering all full-time permanent employees. Contributions to the plan during the year ended December 31, 2016 and 2015 totaled \$130,206 and \$87,513.

THE FREEDOM FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016
With Comparative Totals for December 31, 2015

7. RELATED PARTY TRANSACTIONS

During the year the Freedom Fund received the amounts from institutions who have representatives on its board, namely:

Legatum	\$2,700,000
Humanity United	2,633,613
Children's Investment Fund Foundation	2,217,500
Stardust	2,150,000
Minderoo	<u>2,069,681</u>
Total	<u><u>\$11,770,794</u></u>

Pledges receivable from related parties at December 31, 2016, and 2015 are as detailed below:

	<u>2016</u>	<u>2015</u>
Legatum	\$1,850,994	\$1,142,381
Minderoo	475,935	475,935
Humanity United	<u>-</u>	<u>130,837</u>
Total	<u><u>\$2,326,929</u></u>	<u><u>\$1,749,153</u></u>

8. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, The Freedom Fund has evaluated events and transactions for potential recognition or disclosure through May 17, 2017, the date the consolidated financial statements were available to be issued.

9. RESTATEMENT OF FINANCIAL STATEMENTS

Certain accounts as of the beginning of the year have been restated to correct for two errors in previously issued financial statements discovered during the current year. In previously issued financial statements, the total amount of a grant agreement between The Freedom Fund and a partner was reported as a prepaid expense and an offsetting account payable at the beginning of the grant period rather than when payments were made to the partner or when expenses were incurred. Accordingly, an adjustment of \$889,899 was made to during the current year to write down prepaid expenses as of the beginning of the year. A corresponding entry was made to reduce accounts payable and accrued liabilities. Also, in previously issued financial statements an unrestricted core grant from Humanity United was recorded as a temporarily restricted contribution in error. Accordingly, an adjustment of \$582,251 was made during the current year to increase unrestricted net assets as of the beginning of the year. A corresponding entry was made to decrease temporarily restricted net assets. These restatements had no effect on the change in net assets for 2015. In addition, the summarized comparative information included with the consolidated financial statements has been restated to reflect these adjustments.