

FINANCIAL STATEMENTS

THE FREEDOM FUND

**FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2014**

THE FREEDOM FUND

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Freedom Fund, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and change in net assets 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.

Auditor's 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 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, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Freedom Fund as of December 31, 2015, and the change 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.

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Report on Summarized Comparative Information

We have previously audited The Freedom Fund's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

May 24, 2016

THE FREEDOM FUND
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

ASSETS		<u>2015</u>	<u>2014</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,952,484	\$ 1,070,344
Advances receivable (Note 5)		200,512	119,044
Pledges receivable		1,799,823	1,442,584
Prepaid expenses		<u>921,100</u>	<u>74,011</u>
Total current assets		<u>4,873,919</u>	<u>2,705,983</u>
FIXED ASSETS			
Equipment		38,411	30,693
Less: Accumulated depreciation		<u>(12,622)</u>	<u>(4,303)</u>
Net fixed assets		<u>25,789</u>	<u>26,390</u>
TOTAL ASSETS	\$	<u>4,899,708</u>	\$ <u>2,732,373</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	1,097,684	\$ 379,117
Accrued salaries and related benefits		<u>122,156</u>	<u>63,044</u>
Total current liabilities		<u>1,219,840</u>	<u>442,161</u>
NET ASSETS			
Unrestricted		1,884,925	2,261,170
Temporarily restricted (Note 3)		<u>1,794,943</u>	<u>29,042</u>
Total net assets		<u>3,679,868</u>	<u>2,290,212</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>4,899,708</u>	\$ <u>2,732,373</u>

THE FREEDOM FUND

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions (Note 2)	\$ 3,216,185	\$ 7,834,310	\$ 11,050,495	\$ 6,084,490
Interest and other income	1,024	-	1,024	133
Net assets released from donor restrictions (Note 3)	<u>6,068,409</u>	<u>(6,068,409)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>9,285,618</u>	<u>1,765,901</u>	<u>11,051,519</u>	<u>6,084,623</u>
EXPENSES				
Program Services:				
Hot Spots	6,980,774	-	6,980,774	2,053,329
Sector Initiatives	611,722	-	611,722	238,814
Community Building and Research	298,648	-	298,648	119,691
Program Quality and Learning	<u>97,398</u>	<u>-</u>	<u>97,398</u>	<u>-</u>
Total program services	<u>7,988,542</u>	<u>-</u>	<u>7,988,542</u>	<u>2,411,834</u>
Supporting Services:				
General and Administrative	903,860	-	903,860	1,010,787
Development and Fundraising	<u>769,461</u>	<u>-</u>	<u>769,461</u>	<u>371,790</u>
Total supporting services	<u>1,673,321</u>	<u>-</u>	<u>1,673,321</u>	<u>1,382,577</u>
Total expenses	<u>9,661,863</u>	<u>-</u>	<u>9,661,863</u>	<u>3,794,411</u>
Change in net assets	(376,245)	1,765,901	1,389,656	2,290,212
Net assets at beginning of year	<u>2,261,170</u>	<u>29,042</u>	<u>2,290,212</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,884,925</u>	<u>\$ 1,794,943</u>	<u>\$ 3,679,868</u>	<u>\$ 2,290,212</u>

THE FREEDOM FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,389,656	\$ 2,290,212
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,558	4,303
Loss on disposal of fixed assets	1,982	-
(Increase) decrease in:		
Advances receivable	(81,468)	(119,044)
Pledges receivable	(357,239)	(1,442,584)
Prepaid expenses	(847,089)	(74,011)
Increase (decrease) in:		
Accounts payable and accrued liabilities	718,567	379,117
Accrued salaries and related benefits	<u>59,112</u>	<u>63,044</u>
Net cash provided by operating activities	<u>893,079</u>	<u>1,101,037</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(10,939)</u>	<u>(30,693)</u>
Net cash used by investing activities	<u>(10,939)</u>	<u>(30,693)</u>
Net increase in cash and cash equivalents	882,140	1,070,344
Cash and cash equivalents at beginning of year	<u>1,070,344</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,952,484</u>	<u>\$ 1,070,344</u>

THE FREEDOM FUND
NOTES TO FINANCIAL STATEMENTS
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 an office 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.
- **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.

Basis of presentation -

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

THE FREEDOM FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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 approximate fair value. 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 year ended December 31, 2015 totaled \$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 financial statements. The Freedom Fund is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 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 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 Statement of Activities and Change in Net Assets 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.

THE FREEDOM FUND

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

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

Contributions (continued) -

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 financial statements.

Use of estimates -

The preparation of the 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 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 Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

Certain amounts in the prior year's 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 year ended December 31, 2015, The Freedom Fund recognized a total of \$6 million (approximately 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, 2015:

Thailand Hotspot	\$ 758,593
Southern India Study and Hotspot	328,734
Central Nepal Hotspot	102,593
Time restricted	<u>605,023</u>
	<u>\$ 1,794,943</u>

THE FREEDOM FUND
NOTES TO FINANCIAL STATEMENTS
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:

Thailand Hotspot	\$ 627,320
Southern India Study and Hotspot	774,618
Central Nepal Hotspot	647,407
Other	10,000
Passage of time	<u>4,009,064</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 2015, the lease was extended through February 2017. Base rent is £11,700 per month, plus a proportionate share of expenses.

The Freedom Fund leased office space in New York under a nineteen-month lease, which originated in June 2014. The lease expired in December 2015. In March 2016, a new office space was leased 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>	
2016	\$ 131,278
2017	<u>23,646</u>
	<u>\$ 154,924</u>

Rent expense for the year ended December 31, 2015 was \$137,312.

5. AFFILIATED ORGANIZATION - The Freedom Fund UK

The Freedom Fund is affiliated with The Freedom Fund UK, a registered charity under the 2011 Charities Act by the charity commission for England and Wales. The charity's objects are restricted specifically to the advancement of human rights. During the 2015 fiscal year, The Freedom Fund advanced funds to the Freedom Fund UK for general operating purposes. The balance due to the Freedom Fund at December 31, 2015 was \$17,139 and is included in advances receivable on the accompanying Statement of Financial Position.

6. RETIREMENT PLAN

The Freedom Fund provides retirement benefits to its employees through a defined contribution plan covering all full-time employees with one year of eligible experience. Contributions to the plan during the year ended December 31, 2015 totaled \$87,513.

7. SUBSEQUENT EVENTS

In preparing these financial statements, The Freedom Fund has evaluated events and transactions for potential recognition or disclosure through May 24, 2016, the date the financial statements were issued.