

**LIBERTY JUSTICE CENTER**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Liberty Justice Center  
Chicago, Illinois

### **Opinion**

We have audited the accompanying financial statements of LIBERTY JUSTICE CENTER (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then 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 LIBERTY JUSTICE CENTER as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits 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 LIBERTY JUSTICE CENTER and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Adoption of New Accounting Principle**

As more fully described in Note 1 to the financial statements, as of January 1, 2023, management adopted a new accounting principle that prescribes the recognition, measurement, presentation, and disclosure requirements related to the allowance for credit losses. Our opinion is not modified with respect to this matter.

### **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 LIBERTY JUSTICE CENTER'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. 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 LIBERTY JUSTICE CENTER'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 LIBERTY JUSTICE CENTER'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.

Warady & Davis LLP

June 12, 2024

## STATEMENTS OF FINANCIAL POSITION

As of December 31	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 3,212,108	\$ 2,756,935
Investments	—	126,468
Accounts Receivable	—	6,024
Contributions Receivable	8,507	202,722
Prepaid Expenses	22,192	17,211
Security Deposit	5,000	5,000
Total Current Assets	<u>3,247,807</u>	<u>3,114,360</u>
<b>OTHER ASSETS</b>		
Operating Lease Right-of-Use Asset, net of Accumulated Amortization of \$42,762 and \$16,868	13,228	39,123
<b>TOTAL ASSETS</b>	<u>\$ 3,261,035</u>	<u>\$ 3,153,483</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 29,958	\$ 44,520
Accrued Expenses	3,567	5,210
Accrued Employee Benefits	10,768	2,959
Accrued Wages, Vacation and Related	92,926	43,970
Operating Lease Liability	14,046	26,979
Total Current Liabilities	<u>151,265</u>	<u>123,638</u>
<b>LONG-TERM LIABILITIES</b>		
Operating Lease Liability, net of Current	—	14,047
Total Liabilities	<u>151,265</u>	<u>137,685</u>
<b>NET ASSETS</b>		
Without Donor Restriction	3,051,915	2,712,382
With Donor Restriction	57,855	303,416
Total Net Assets	<u>3,109,770</u>	<u>3,015,798</u>
	<u>\$ 3,261,035</u>	<u>\$ 3,153,483</u>

## STATEMENTS OF ACTIVITIES

For the Years Ended December 31

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUES</b>						
Contributions	\$ 2,232,347	\$ 112,500	\$ 2,344,847	\$ 2,055,667	\$ 275,000	\$ 2,330,667
Grant Revenue	318,491	—	318,491	—	—	—
Other Income	8,088	—	8,088	—	—	—
Dividends/Interest on Investments	98,915	—	98,915	—	—	—
Realized and Unrealized Gain on Investments	28,526	—	28,526	1,314	—	1,314
Total Support and Revenues	2,686,367	112,500	2,798,867	2,056,981	275,000	2,331,981
Net Assets Released From Restrictions	358,061	(358,061)	—	565,821	(565,821)	—
Total Support and Revenues	3,044,428	(245,561)	2,798,867	2,622,802	(290,821)	2,331,981
<b>FUNCTIONAL EXPENSES</b>						
Program Services	2,269,644	—	2,269,644	2,478,774	—	2,478,774
General and Administrative	265,815	—	265,815	604,753	—	604,753
Fundraising	169,436	—	169,436	270,395	—	270,395
Total Expenses	2,704,895	—	2,704,895	3,353,922	—	3,353,922
CHANGE IN NET ASSETS	339,533	(245,561)	93,972	(731,120)	(290,821)	(1,021,941)
Net Assets, Beginning	2,712,382	303,416	3,015,798	3,443,502	594,237	4,037,739
<b>NET ASSETS, ENDING</b>	<b>\$ 3,051,915</b>	<b>\$ 57,855</b>	<b>\$ 3,109,770</b>	<b>\$ 2,712,382</b>	<b>\$ 303,416</b>	<b>\$ 3,015,798</b>

See accompanying notes.

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and Wages .....	\$ 1,469,293	\$ 54,794	\$ 109,929	\$ 1,634,016
Payroll Taxes .....	108,362	3,907	8,431	120,700
Employee Benefits .....	123,353	17,221	7,177	147,751
Advertising and Promotion.....	133,974	10,508	7,071	151,553
Information Technology.....	22,587	7,090	1,394	31,071
Conferences and Events .....	41,979	5,783	4,811	52,573
Court Fees and Case Costs, net of Reimbursements.....	1,877	—	—	1,877
Dues and Subscriptions .....	24,834	2,185	10,844	37,863
Insurance.....	28,399	12,494	—	40,893
Professional Fees.....				
Legal Casework .....	261,012	2,500	—	263,512
Accounting and Audit .....	—	86,885	—	86,885
Consulting.....	11,046	11	1,925	12,982
Legal Fees.....	—	2,895	—	2,895
Other.....	3	24,863	158	25,024
Office Supplies, Postage and Mailing.....	1,973	4,015	641	6,629
Bank, Credit Card, and Processing Fees.....	—	1,603	—	1,603
Rent .....	—	24,853	—	24,853
Travel .....	33,638	3,483	14,555	51,676
Website .....	7,314	725	2,500	10,539
<b>TOTALS</b>	<b>\$ 2,269,644</b>	<b>\$ 265,815</b>	<b>\$ 169,436</b>	<b>\$ 2,704,895</b>

## STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and Wages .....	\$ 1,579,787	\$ 238,901	\$ 206,264	\$ 2,024,952
Payroll Taxes .....	110,971	16,781	14,489	142,241
Employee Benefits .....	145,738	23,887	19,028	188,653
Advertising and Promotion.....	141,476	905	965	143,346
Information Technology.....	3,679	22,441	—	26,120
Conferences and Events .....	31,886	1,193	3,376	36,455
Court Fees and Case Costs, net of Reimbursements.....	12,045	—	317	12,362
Dues and Subscriptions .....	36,974	5,635	11,109	53,718
Insurance.....	—	37,330	—	37,330
Professional Fees.....				
Legal Casework .....	354,177	—	—	354,177
Accounting and Audit .....	—	89,916	—	89,916
Consulting.....	237	—	7,739	7,976
Recruiting.....	—	113,760	—	113,760
Other.....	3,199	19,249	—	22,448
Office Supplies, Postage and Mailing.....	1,008	6,275	—	7,283
Bank, Credit Card, and Processing Fees.....	—	1,342	—	1,342
Rent .....	—	24,946	—	24,946
Travel .....	25,734	2,192	7,108	35,034
Website .....	31,863	—	—	31,863
<b>TOTALS</b>	<b>\$ 2,478,774</b>	<b>\$ 604,753</b>	<b>\$ 270,395</b>	<b>\$ 3,353,922</b>

## STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ 93,972</u>	<u>\$ (1,021,941)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Donated Stock	(255,611)	(248,905)
Realized and Unrealized Gain on Investments	(28,037)	(1,314)
Amortization of Operating Lease Right-of-Use Asset	25,895	16,868
Changes in Assets and Liabilities:		
Accounts Receivable	6,024	243,976
Contributions Receivable	194,215	97,278
Due from Related Entities	—	400
Prepaid Expenses	(4,981)	2,892
Security Deposit	—	(5,000)
Operating Lease Right-of-Use Asset	—	(55,991)
Accounts Payable	(14,562)	(80,317)
Accrued Expenses	(1,643)	(6,643)
Accrued Employee Benefits	7,809	(5,498)
Accrued Wages, Vacation and Related	48,956	18,287
Operating Lease Liability	<u>(26,980)</u>	<u>41,026</u>
Total Adjustments	<u>(48,915)</u>	<u>17,059</u>
Net Cash Provided (Used) by Operating Activities	45,057	(1,004,882)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales of Investments	<u>410,116</u>	<u>123,751</u>
NET INCREASE (DECREASE) IN CASH	455,173	(881,131)
Cash Beginning	<u>2,756,935</u>	<u>3,638,066</u>
<b>CASH ENDING</b>	<u><b>\$ 3,212,108</b></u>	<u><b>\$ 2,756,935</b></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for:		
Operating Leases	<u>\$ 27,702</u>	<u>\$ 13,580</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Operating Lease Right-of-Use Asset Obtained in Exchange for Lease Obligation	<u>\$ —</u>	<u>\$ 55,991</u>

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**NOTES TO FINANCIAL STATEMENTS**

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**NATURE OF ORGANIZATION**

Liberty Justice Center (the Organization), which began operating in October 2010 and was separately incorporated in October 2011, is a nonprofit corporation organized under the laws of the State of Illinois. The Organization is a nonprofit, nonpartisan, public interest litigation center that fights to protect economic liberty, private property rights, free speech, and other fundamental rights in Illinois and beyond. First and foremost, the Organization seeks to ensure that the rights to earn a living and to start a business, which are essential to a free and prosperous society, are available not just to a politically privileged few, but to all. The Organization pursues its goals through strategic, precedent-setting litigation to revitalize constitutional restraints on government power and protections for individual rights. Revenues are derived primarily from contributions and grants.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States (GAAP) and have been consistently applied in the preparation of the financial statements.

**BASIS OF ACCOUNTING**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with GAAP.

**BASIS OF PRESENTATION**

In preparation of the financial statements, the Organization follows the provisions of the Financial Accounting Standards Board (FASB) Codification topic related to "Financial Statements of Not-for-Profit Organizations." Net assets and revenues, gains, expenses and losses are classified as with donor restriction and without donor restriction based on the existence or absence of imposed restrictions as follows:

- **Net Assets Without Donor Restriction:** Net assets available for use in general operations and not subject to donor (or certain grantor) restriction. Net assets without donor restriction may be designated for specific purposes by the Board of Directors.
- **Net Assets With Donor Restriction:** Net assets subject to donor-imposed restriction. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset are limited by donor-imposed restriction. Expenses are reported as decreases in net assets without donor restriction.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

## USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP 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. Actual results may differ from those estimates.

## RECOGNITION OF SUPPORT AND REVENUES

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction, depending on the existence and/or nature of any donor imposed restriction. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets without donor restriction, depending on the nature of the restriction. When a restriction expires, (that is when a stipulated item restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

## DONATED SERVICES

Donated services are recognized as revenues as their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. The Organization receives donated services from unpaid volunteers who assist in its programs in the furtherance of its purposes. No amounts have been recognized in the statements of activities because the criteria for recognition under FASB Codification for Not-for-Profit Organizations have not been satisfied.

## INVESTMENTS

The Organization follows the provisions of the Financial Accounting Standards Board (FASB) Codification for accounting for investments held by not-for-profit organizations. This standard requires that investments in marketable securities be reported at fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Fair value is based on quoted market prices. Realized gains and losses are the differences between the proceeds received and the previously reported fair value. Unrealized gains and losses are the differences between the fair value and the cost of investments and are included in the change in net assets.

## ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2022 represents overpayments due from a third party service provider. The receivable is considered fully collectible; accordingly no allowance for credit losses has been established at December 31, 2023 and 2022.

## CONTRIBUTIONS RECEIVABLE

Contributions receivable are recorded at fair value and are recognized in the period received. Amounts expected to be received in one year are recorded at net realizable value. Contributions receivables were \$8,507 and \$202,722 at December 31, 2023 and 2022, respectively. The entire balance of contributions receivable at year-end is considered current and fully collectible; accordingly no allowance for credit losses has been established at December 31, 2023 and 2022.

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NOTES TO FINANCIAL STATEMENTS

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****PROPERTY AND EQUIPMENT**

Property and equipment is recorded at cost (if purchased) or at estimated fair value at time of donation (if donated). Property and equipment purchased at a cost exceeding \$2,500 is capitalized. Maintenance and repairs which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

**INCOME TAX STATUS**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except on net income derived from unrelated business activities, if any. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Management believes the Organization has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal and Illinois exempt organization tax returns are subject to the examination by the Internal Revenue Service and state authorities, generally for three years after they were filed.

**CONCENTRATION OF CREDIT RISK**

The Organization places its cash deposits with financial institutions; however, deposits may exceed the federally insured limits at times throughout the year. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk on cash.

The Organization's investments are exposed to various risks such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the fair value of investments will occur in the near term and materially affect the amounts reported in the financial statements.

Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from donor contributions for the Organization's mission.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, costs have been allocated among the programs and supporting services on either a direct functional method, when applicable, or on a reasonable basis that is consistently applied. Personnel costs are allocated based on time and effort. These allocation methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on the different functional categories and allocation of occupancy and related costs using space utilization percentages occupied by the various functions. The remaining expenses are allocated based on actual usage.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****RECENTLY ADOPTED ACCOUNTING GUIDANCE – LEASES**

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB subsequently issued additional ASUs, which further amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating and financing leases on the statements of financial position.

The Organization elected to adopt these ASUs effective January 1, 2022 using the modified retrospective effective method, and utilized all of the available practical expedients. The adoption had a material impact on the Organization's statements of financial position but did not have a material impact on the statements of activities. The most significant impact was the recognition of an ROU asset and operating lease liability. Adoption of the standard resulted in an increase in operating lease ROU asset of \$39,123 and an increase in operating lease liability of \$41,026 at January 1, 2022.

The Organization determines if an arrangement is a lease or contains a lease at the inception of the contract. The Organization's operating lease is presented under the captions operating lease right-of-use asset, current portion of operating lease liability, and long-term portion of operating lease liability.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization's lease agreement did not provide an implicit rate, in determining the present value of lease payments, management used a risk-free discount rate based on the information available at the commencement date obtained from the U.S. Treasury. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term and reported in occupancy expense on the statements of functional expenses. The difference between actual lease payments and the straight-line of lease expense, as well as any tenant allowances, were reported as deferred rent on the statements of financial position. As of the adoption date of the lease ASUs, deferred rent is no longer reported on the statements of financial position.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**RECENTLY ADOPTED ACCOUNTING GUIDANCE – CREDIT LOSSES**

Effective January 1, 2023, the Organization adopted ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. Financial assets held by the Organization that are subject to ASU 2016-13 include its accounts receivable and contributions receivable. The Organization has historically experienced insignificant credit losses (bad debts) and thus the adoption of this ASU did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 2—LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash.....	\$ 3,212,108	\$ 2,756,935
Investments.....	—	126,468
Accounts Receivable .....	—	6,024
Contributions Receivable .....	8,507	202,722
Less: Net Assets with Donor Restriction .....	<u>(57,855)</u>	<u>(303,416)</u>
	<u>\$ 3,162,760</u>	<u>\$ 2,788,733</u>

The Organization's goal is generally to maintain financial assets in reserve to meet 90 days of operating expenses (approximately \$900,000). The Organization maintains to invest excess funds in highly liquid interest-generating accounts. The Organization has no formal borrowing facilities available to it and has no material assets other than contributions receivable that can be leveraged in a short-term liquidity event.

**NOTE 3—FAIR VALUE MEASUREMENTS**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The FASB Codification provides a framework for measuring fair value using a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 3—INVESTMENTS (Continued)**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023 and 2022.

**Level 1 Fair Value Measurements**

The fair values of common stocks are based on quoted market prices in active markets for identical assets, when available.

*Level 2 Fair Value Measurements*

The Organization has no Level 2 fair value measurements.

*Level 3 Fair Value Measurements*

The Organization has no Level 3 fair value measurements.

Fair values of investments measured on a recurring basis at December 31, 2022 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stocks.....	\$ 126,468	\$ 126,468	\$ —	\$ —
Total Investments at Fair Value .....	<u>\$ 126,468</u>	<u>\$ 126,468</u>	<u>\$ —</u>	<u>\$ —</u>

It is the Organization's policy to sell donated securities immediately upon receipt. However, donated securities were received at year-end for December 31, 2022, thus it was not feasible to sell these securities until January 2023.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 4—NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restriction are available for certain cases and issues such as government overreach, free speech, school choice and workers' rights. Funds for these cases and issues are primarily received from donations and grants. The following is a summary of net assets restricted for specific purposes as of December 31:

	<u>2023</u>	<u>2022</u>
Government Overreach .....	\$ —	\$ 77,147
School Choice/Free Speech .....	—	180,400
Workers' Rights .....	—	45,869
Education .....	<u>57,855</u>	<u>—</u>
	<u>\$ 57,855</u>	<u>\$ 303,416</u>

Net assets were released from restriction by incurring expenses that met the restricted purposes for the following:

	<u>2023</u>	<u>2022</u>
Government Overreach .....	\$ 77,147	\$ 65,748
Education .....	44,645	—
Fellowship .....	10,000	—
School Choice/Free Speech .....	180,400	328,699
Workers' Rights .....	<u>45,869</u>	<u>171,374</u>
	<u>\$ 358,061</u>	<u>\$ 565,821</u>

**NOTE 5—CONCENTRATION OF REVENUES AND RECEIVABLES**

For the year ended December 31, 2023, the Organization recognized support revenue of \$1,655,611 from four donors which represented 71% of the Organization's total support and revenues.

For the year ended December 31, 2022, the Organization recognized support revenue of \$1,448,905 from three donors which represented 62% of the Organization's total support and revenues. As of December 31, 2022, the Organization had contributions receivable totaling \$160,000 from two donors, which represents 79% of the Organization's total contributions receivable.

## NOTES TO FINANCIAL STATEMENTS

**NOTE 6—LEASES**

The Organization leased its office facility under an 18-month lease which was set to expire December 31, 2022, however, the Organization cancelled this lease effective February 28, 2022. Under the lease agreement, the monthly rental payments were \$3,784 and the Organization was not liable for utilities, real estate taxes, insurance or other common area maintenance costs. The Organization entered into a lease for new office space effective May 1, 2022 and expiring on June 30, 2024. The lease requires monthly payments of base rent of \$2,263 beginning July 1, 2022, with annual escalations of 3% per year. The months of May and June of 2022 were abated by the landlord. Rent expense totaled \$24,853 and \$24,946 for the years ended December 31, 2023 and 2022.

When the ASU (*Topic 842*) was adopted, the operating lease ROU asset and liability were calculated utilizing the Organization's risk-free discount rate at May 1, 2022 (2.73%), according to the Organization's elected policy. As of December 31, the ROU asset and the lease liability balances were as follows:

	<u>2023</u>	<u>2022</u>
Operating Lease Right-of-Use Asset .....	\$ <b>13,228</b>	\$ <u>39,123</u>
Operating Lease Liability .....	\$ <b>14,046</b>	\$ 41,026
Less: Current Portion .....	<u>14,046</u>	<u>26,979</u>
Long-Term Portion .....	\$ <u>—</u>	\$ <u>14,047</u>

Future minimum lease payments of the operating lease, are as follows:

Year Ending December 31:	
2024 .....	\$ 14,127
Less: Interest .....	<u>(81)</u>
Present Value of Operating Lease Liability .....	\$ <u>14,046</u>

Additional information about the Organization's leases as of December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Lease Costs (Included In Operating Expenses):		
Operating Lease Cost.....	\$ <b>26,618</b>	\$ <u>17,745</u>
Other Information:		
Cash Paid for Amounts Included in Measuring Operating Lease Liabilities:		
Operating Cash Flows from Operating Leases .....	\$ <b>27,702</b>	\$ <b>13,580</b>
Lease Assets Obtained in Exchange for Lease Obligations:		
Operating Leases .....	\$ —	\$ 55,991
Weighted-Average Remaining Lease Term (Years) .....	.5	1.5
Weighted Average Discount Rate.....	<b>2.73%</b>	2.73%

NOTES TO FINANCIAL STATEMENTS

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**NOTE 7—RETIREMENT PLAN**

Effective January 1, 2021, the Organization offers a voluntary tax-deferred 401(K) plan and an after-tax Roth 401(K) plan to all eligible employees. Eligible employees must be 21 years of age and have completed 3 months of service. The Organization matches up to 4% of the employee's salary. The Organization's contribution was \$48,020 in 2023 and \$62,763 in 2022.

**NOTE 8—SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 12, 2024, the date which the financial statements were available for issue. There were no subsequent events which require disclosure.