

THE FREEDOM FUND, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

(With Comparative Totals for the Year Ended December 31, 2019)

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Freedom Fund, Inc., which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, Inc. as of December 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited The Freedom Fund, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 16, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wegner CPAs LLP

Wegner CPAs, LLP
New York, New York
August 5, 2021

THE FREEDOM FUND, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020
With Comparative Totals for December 31, 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 11,496,223	\$ 8,631,048
Advances receivable	6,621	7,909
Pledges receivable	1,250,533	698,086
Prepaid expenses	118,969	77,175
Total current assets	12,872,346	9,414,218
FIXED ASSETS		
Equipment	292,913	241,228
Accumulated depreciation	(147,205)	(88,505)
Equipment, net	145,708	152,723
OTHER ASSETS		
Deposits	66,668	70,544
Total assets	\$ 13,084,722	\$ 9,637,485
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 232,746	\$ 709,236
Accrued salaries and related benefits	237,749	216,149
Total liabilities	470,495	925,385
NET ASSETS		
Without donor restrictions	8,122,248	5,777,002
With donor restrictions	4,491,979	2,935,098
Total net assets	12,614,227	8,712,100
Total liabilities and net assets	\$ 13,084,722	\$ 9,637,485

See accompanying notes.

THE FREEDOM FUND, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 7,133,829	\$ 12,962,109	\$ 20,095,938	\$ 17,235,667
Interest and other income	26,132	-	26,132	25,764
Foreign exchange rate gain (loss)	43,628	-	43,628	(5,288)
Total support and revenue	7,203,589	12,962,109	20,165,698	17,256,143
EXPENSES				
Program services				
Hotspots	11,439,122	-	11,439,122	11,597,671
Global initiatives	1,199,498	-	1,199,498	879,902
Movement building	1,562,434	-	1,562,434	1,293,403
Program quality and learning	10,795	-	10,795	90,760
Total program services	14,211,849	-	14,211,849	13,861,736
Supporting activities				
General and administrative	898,170	-	898,170	940,038
Development and fundraising	1,153,552	-	1,153,552	1,175,503
Total supporting activities	2,051,722	-	2,051,722	2,115,541
Total expenses	16,263,571	-	16,263,571	15,977,277
NET ASSETS RELEASED RESTRICTIONS				
Satisfaction of program restrictions	10,905,228	(10,905,228)	-	-
Expiration of time restrictions	500,000	(500,000)	-	-
Total net assets released from restrictions	11,405,228	(11,405,228)	-	-
Change in net assets	2,345,246	1,556,881	3,902,127	1,278,866
Net assets at beginning of year	5,777,002	2,935,098	8,712,100	7,433,234
Net assets at end of year	<u>\$ 8,122,248</u>	<u>\$ 4,491,979</u>	<u>\$ 12,614,227</u>	<u>\$ 8,712,100</u>

See accompanying notes.

THE FREEDOM FUND, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	2020						2019	
	Program Services			Supporting Activities				
	Hotspots	Global Initiatives	Movement Building	Program Quality and Learning	General and Administrative	Development and Fundraising	Total Expenses	Total Expenses
Salaries and benefits	\$ 1,908,619	\$ 123,077	\$ 249,095	\$ -	\$ 162,600	\$ 941,870	\$ 3,385,261	\$ 2,911,315
Consultancy fees	770,005	-	19,285	-	71,991	32,023	893,304	644,073
Occupancy, utilities, and maintenance	18,006	40	-	2	357,869	27	375,944	374,264
Services, supplies, and other	4,548	-	220	410	87,805	1,051	94,034	48,779
Grants to others	8,630,307	1,049,163	1,290,677	-	-	-	10,970,147	10,626,913
Depreciation	-	-	-	-	58,700	-	58,700	43,812
Bank fees	-	-	-	-	41,018	-	41,018	40,832
Hotspot management and supplies	29,575	9,000	408	-	2,137	-	41,120	199,063
Travel and running costs	60,068	8,931	2,566	673	8,555	30,993	111,786	441,923
Advertising and promotion	1,084	9,287	-	9,710	7,043	147,588	174,712	380,784
Legal fees	212	-	-	-	3,849	-	4,061	29,593
Accounting	10,833	-	-	-	66,209	-	77,042	111,698
Professional services	5,865	-	183	-	30,394	-	36,442	124,228
Total expenses	\$ 11,439,122	\$ 1,199,498	\$ 1,562,434	\$ 10,795	\$ 898,170	\$ 1,153,552	\$ 16,263,571	\$ 15,977,277

See accompanying notes.

THE FREEDOM FUND, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,902,127	\$ 1,278,866
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	58,700	43,812
Loss on disposal of equipment	-	3,331
(Increase) decrease in assets		
Advances receivable	1,288	14,937
Pledges receivable	(552,447)	1,815,653
Prepaid expenses	(41,794)	8,265
Deposits	3,876	12,365
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(476,490)	279,789
Accrued salaries and related benefits	21,600	38,668
Net cash flows from operating activities	<u>2,916,860</u>	<u>3,495,686</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	<u>(51,685)</u>	<u>(68,097)</u>
Change in cash	2,865,175	3,427,589
Cash at beginning of year	<u>8,631,048</u>	<u>5,203,459</u>
Cash at end of year	<u><u>\$ 11,496,223</u></u>	<u><u>\$ 8,631,048</u></u>

See accompanying notes.

THE FREEDOM FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
With Comparative Totals for December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Freedom Fund, Inc. (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.
- **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.

THE FREEDOM FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
With Comparative Totals for December 31, 2019

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

Principles of consolidation -

The financial statements include the accounts of The Freedom Fund and its subsidiaries, The Freedom Fund UK and The Freedom Fund Ethiopia. The Freedom Fund is the sole corporate member of The Freedom Fund UK and The Freedom Fund Ethiopia. All material intra-entity transactions have been eliminated.

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*.

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.

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 amounts 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.

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 years ended December 31, 2020 and 2019, 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.

THE FREEDOM FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
With Comparative Totals for December 31, 2019

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

Contributions -

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions in the reporting period in which the revenue is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

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 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 financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, occupancy, utilities, maintenance, services, supplies, other, and travel and running costs which are allocated on the basis of estimates of time and effort.

Reclassifications -

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Comparative Financial Information -

The 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, 2019, from which the summarized information was derived.

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.

THE FREEDOM FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
With Comparative Totals for December 31, 2019

2. CONTRIBUTIONS FROM FOUNDERS (Concentration of Revenue)(continued)

For the years ended December 31, 2020 and 2019, The Freedom Fund recognized a total of \$7.5 million and \$3.5 million (approximately 36% and 20% 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. LEASE COMMITMENTS

The Freedom Fund leases office space in the United Kingdom under a five-year lease that was entered into in November 2018. The lease contains a break clause after 3 years. Base rent is \$225,889 per year, plus a proportionate share of expenses. The Freedom Fund leases office space in New York under a month-to-month lease agreement for \$1,525 per month. The Freedom Fund also leases office equipment in the United Kingdom with an annual lease commitment of \$1,312. The lease for office equipment was entered into in April 2018 for a three-year term.

Rent expense for the years ended December 31, 2020 and 2019 was \$243,296 and \$253,930, respectively. Future minimum lease payments for the year ended December 31, 2021 are \$207,759.

4. NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
Subject to expenditure for specified purpose:		
Thailand hotspot	\$ 152,045	\$ 545,670
Southern India hotspot	-	42,617
Central Nepal hotspot	137	-
Research programs	140	-
Movement building and strategic partnerships	2,093,332	480,954
Myanmar hotspot	183,833	-
Bangladesh hotspot	50,818	-
Northern India hotspot	15,000	77,174
Rajasthan hotspot	2,124	699,255
South East Nepal hotspot	10,000	-
Ethiopia hotspot	367,118	-
Brazil hotspot	113,432	60,035
Freedom rising	271,680	439,393
Tariff acts	-	90,000
COVID-19 emergency response funds	22,220	-
Subject to expenditure in subsequent periods	1,210,100	500,000
Net assets with donor restrictions	\$ 4,491,979	\$ 2,935,098

THE FREEDOM FUND, INC.
NOTES TO FINANCIAL STATEMENTS
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4. NET ASSETS (continued)

Net assets with donor restrictions were released during the years ended December 31:

	2020	2019
Thailand hotspot	\$ 2,290,527	\$ 2,233,021
Southern India hotspot	1,794,320	1,768,777
Central Nepal hotspot	161,888	1,072,492
Prevalence study, Northern India	622,115	131,321
Strategic partnerships	1,677,182	1,063,043
Myanmar research	222,152	100,000
Bangladesh hotspot	103,427	-
Northern India hotspot	622,231	186,238
Rajasthan hotspot	1,055,280	1,592,294
Ethiopia hotspot	988,024	1,150,706
Other	535,427	285,371
Freedom rising	475,851	72,909
Brazil hotspot	104,948	
Tarriff acts	-	35,000
South East Nepal hotspot	251,856	-
Passage of time	500,000	1,000,000
	<u>\$ 11,405,228</u>	<u>\$ 10,691,172</u>
Net assets released from restrictions	<u>\$ 11,405,228</u>	<u>\$ 10,691,172</u>

5. 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, 2020 and 2019 totaled \$240,971 and \$197,070, respectively.

6. CONCENTRATIONS OF CREDIT RISK

The Freedom Fund maintains cash balances at two different financial institutions located in Rhode Island and at two different financial institutions located in London. Bank deposit accounts in Rhode Island are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 and bank deposit accounts in London by the Financial Services Compensation Scheme (FSCS) up to a limit of £85,000 (approximately \$115,000). At December 31, 2020 and 2019 the Freedom Fund's uninsured cash balances totaled approximately \$10,677,000 and \$8,207,000, respectively. Management believes the risk in these situations to be minimal.

THE FREEDOM FUND, INC.
NOTES TO FINANCIAL STATEMENTS
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With Comparative Totals for December 31, 2019

7. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2020 and 2019, The Freedom Fund received the amounts from institutions who have representatives on its board, namely:

	<u>2020</u>	<u>2019</u>
Legatum	\$ 1,931,353	\$ -
Humanity United	3,030,114	2,588,072
Children's Investment Fund Foundation	1,303,420	3,750,129
Stardust	350,000	500,000
Dolby Family Foundation	250,000	-
Minderoo	2,411,618	1,000,000
Cassiopeia	<u>2,250,000</u>	<u>2,000,000</u>
Total	<u>\$ 11,526,505</u>	<u>\$ 9,838,201</u>

Pledges receivable from related parties are as detailed below:

	<u>2020</u>	<u>2019</u>
Legatum	\$ -	\$ 42,401
Minderoo	-	-
Total	<u>\$ -</u>	<u>\$ 42,401</u>

8. HOME OFFICE FUNDS

Grant activity from the Home Office consisted of the following:

	<u>Northern India</u>
Balance, January 1, 2019	\$ -
Resources received	103,735
Resources expended	<u>(103,735)</u>
Balance, December 31, 2019	-
Resources received	243,854
Resources expended	<u>(243,714)</u>
Balance, December 31, 2020	<u>\$ 140</u>

THE FREEDOM FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
With Comparative Totals for December 31, 2019

9. LIQUIDITY AND AVAILABILITY

The following reflects The Freedom Fund's financial assets as of the date of the consolidated statement of financial position, reduced by amounts not available for general expenditures within one year of the date of the consolidated statement of financial position because of donor-imposed or other restrictions.

	<u>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash	\$ 11,496,223	\$ 8,631,048
Advances receivable	6,621	7,909
Pledges receivable	1,250,533	698,086
Deposits	<u>66,668</u>	<u>70,544</u>
Total financial assets at year-end	12,820,045	9,407,587
Less those unavailable for general expenditures within one year:		
Donor-restricted with time or purpose restrictions	(4,491,979)	(2,935,098)
Deposits to be received in more than one year	<u>(66,668)</u>	<u>(70,544)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,261,398</u>	<u>\$ 6,401,945</u>

The Freedom Fund receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions.

The Freedom Fund considers contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during The Freedom Fund's fiscal year.

The Freedom Fund manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of The Freedom Fund.

THE FREEDOM FUND, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020
With Comparative Totals for December 31, 2019

10. RISKS AND UNCERTAINTIES

The COVID-19 outbreak has caused disruption for nonprofit organizations and has resulted in significant volatility in the financial markets. There have been mandated and voluntary closings of businesses including cancellations of events and meetings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of restrictions on gatherings and potential economic impacts. At this time, the potential related financial impact cannot be reasonably estimated.

11. SUBSEQUENT EVENTS

In preparing these financial statements, The Freedom Fund has evaluated events and transactions for potential recognition or disclosure through August 5, 2021, the date the financial statements were available to be issued.