



ALLIANCE DEFENDING
FREEDOM

FOR FAITH. FOR JUSTICE.

**ALLIANCE DEFENDING
FREEDOM AND AFFILIATES**

Consolidated Financial Statements
With Independent Auditors Report

June 30, 2024 and 2023

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statement of Functional Expenses for the year ended June 30, 2024	5
Consolidated Statement of Functional Expenses for the year ended June 30, 2023	6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8

INDEPENDENT AUDITORS' REPORT

Board of Directors
Alliance Defending Freedom and Affiliates
Scottsdale, Arizona

Opinion

We have audited the accompanying consolidated financial statements of Alliance Defending Freedom and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alliance Defending Freedom and Affiliates as of June 30, 2024 and 2023, 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 Consolidated Financial Statements* section of our report. We are required to be independent of Alliance Defending Freedom and Affiliates 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.

Responsibilities of Management for the Consolidated 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, and for 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.

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

Board of Directors
Alliance Defending Freedom and Affiliates
Scottsdale, Arizona

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 Alliance Defending Freedom and Affiliates' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alliance Defending Freedom and Affiliates' 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.

Capin Crouse LLP

Colorado Springs, Colorado
October 18, 2024

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Consolidated Statements of Financial Position

	June 30,	
	2024	2023
ASSETS:		
Cash and cash equivalents	\$ 17,513,634	\$ 8,052,983
Prepaid expenses and other assets	3,649,700	3,422,578
Pledges receivable	603,090	1,601,257
Restricted cash	8,808,897	13,345,342
Investments	41,115,685	37,276,118
Operating lease–right-of-use assets	4,396,106	4,595,147
Property and equipment–net	35,343,475	35,147,730
Total Assets	\$ 111,430,587	\$ 103,441,155
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 3,634,494	\$ 3,710,072
Accrued expenses	4,796,955	5,384,706
Deferred membership dues	1,404,062	1,366,419
Operating lease–right-of-use obligations	4,797,242	5,422,286
Total liabilities	14,632,753	15,883,483
Net assets:		
Net assets without donor restrictions:		
Operating	78,286,567	63,757,065
Board designated for contractual obligations and grants	4,454,148	4,536,445
Board designated operating reserve	8,808,897	8,808,897
	91,549,612	77,102,407
Net assets with donor restrictions	5,248,222	10,455,265
Total net assets	96,797,834	87,557,672
Total Liabilities and Net Assets	\$ 111,430,587	\$ 103,441,155

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Consolidated Statements of Activities

	Year Ended June 30,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 95,236,139	\$ 6,573,460	\$ 101,809,599	\$ 84,361,500	\$ 12,248,272	\$ 96,609,772
Membership revenue	3,199,480	-	3,199,480	2,996,320	-	2,996,320
Contributed services	1,159,920	-	1,159,920	1,251,507	-	1,251,507
Court awarded fees	966,111	-	966,111	3,277,562	-	3,277,562
Investment income	3,887,226	220,882	4,108,108	2,490,895	171,036	2,661,931
Other income	722,756	-	722,756	1,046,933	-	1,046,933
Total Support and Revenue	105,171,632	6,794,342	111,965,974	95,424,717	12,419,308	107,844,025
NET ASSETS RELEASED:						
From purpose restrictions	12,001,385	(12,001,385)	-	7,876,454	(7,876,454)	-
EXPENSES:						
Program services:						
Legal advocacy	42,796,041	-	42,796,041	30,280,765	-	30,280,765
Allied support and training	20,761,741	-	20,761,741	24,974,550	-	24,974,550
Public education	14,982,256	-	14,982,256	24,288,879	-	24,288,879
	78,540,038	-	78,540,038	79,544,194	-	79,544,194
Supporting activities:						
General and administrative	10,847,845	-	10,847,845	9,286,695	-	9,286,695
Fundraising	13,337,929	-	13,337,929	11,090,701	-	11,090,701
	24,185,774	-	24,185,774	20,377,396	-	20,377,396
Total Expenses	102,725,812	-	102,725,812	99,921,590	-	99,921,590
Change in Net Assets	14,447,205	(5,207,043)	9,240,162	3,379,581	4,542,854	7,922,435
Net Assets, Beginning of Year	77,102,407	10,455,265	87,557,672	73,722,826	5,912,411	79,635,237
Net Assets, End of Year	\$ 91,549,612	\$ 5,248,222	\$ 96,797,834	\$ 77,102,407	\$ 10,455,265	\$ 87,557,672

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services			Supporting Activities			Total	
	Legal Advocacy	Allied Support and Training	Public Education	Total Program Services	General and Administrative	Fundraising		Total Supporting Activities
Salaries and benefits	\$ 27,812,242	\$ 9,092,397	\$ 8,306,425	\$ 45,211,064	\$ 6,827,475	\$ 5,398,528	\$ 12,226,003	\$ 57,437,067
Direct marketing	1,055,462	453,965	2,363,109	3,872,536	390,115	3,387,050	3,777,165	7,649,701
Travel	1,846,732	2,871,156	689,814	5,407,702	271,385	341,226	612,611	6,020,313
Occupancy	1,813,387	820,512	516,445	3,150,344	404,883	235,207	640,090	3,790,434
Audio, visual, and media	902,081	1,391,703	509,193	2,802,977	17,031	1,182,599	1,199,630	4,002,607
Office equipment	1,955,125	948,157	783,286	3,686,568	720,174	490,757	1,210,931	4,897,499
Educational seminars	674,058	2,520,042	365,798	3,559,898	152,603	112,256	264,859	3,824,757
Professional services	1,848,644	285,622	384,438	2,518,704	655,144	193,592	848,736	3,367,440
Depreciation and amortization	1,316,778	690,336	416,105	2,423,219	377,339	245,837	623,176	3,046,395
Shipping and postage	87,903	44,404	372,428	504,735	115,697	973,545	1,089,242	1,593,977
Public education materials	429,853	215,653	85,526	731,032	72,658	679,217	751,875	1,482,907
Grant disbursements	1,376,929	-	-	1,376,929	-	-	-	1,376,929
Blackstone scholarships	26,000	1,216,500	-	1,242,500	-	-	-	1,242,500
Direct legal services	1,159,920	-	-	1,159,920	-	-	-	1,159,920
Financial services	13,904	9,453	19,286	42,643	542,417	9,609	552,026	594,669
Insurance	192,194	79,930	55,278	327,402	234,513	29,338	263,851	591,253
Communications	154,519	68,837	75,828	299,184	42,156	33,501	75,657	374,841
Office supplies	130,310	53,074	39,297	222,681	24,255	25,667	49,922	272,603
	<u>\$ 42,796,041</u>	<u>\$ 20,761,741</u>	<u>\$ 14,982,256</u>	<u>\$ 78,540,038</u>	<u>\$ 10,847,845</u>	<u>\$ 13,337,929</u>	<u>\$ 24,185,774</u>	<u>\$ 102,725,812</u>

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Supporting Activities			
	Legal Advocacy	Allied Support and Training	Public Education	Total Program Services	General and Administrative	Fundraising	Total Supporting Activities	Total
Salaries and benefits	\$ 19,943,232	\$ 11,193,489	\$ 11,669,546	\$ 42,806,267	\$ 5,917,022	\$ 6,159,109	\$ 12,076,131	\$ 54,882,398
Direct marketing	428,959	496,828	4,702,879	5,628,666	360,150	1,677,791	2,037,941	7,666,607
Travel	1,573,547	3,573,759	734,568	5,881,874	217,833	435,950	653,783	6,535,657
Occupancy	1,096,316	1,114,173	930,971	3,141,460	469,796	392,723	862,519	4,003,979
Audio, visual, and media	358,034	1,617,061	1,807,420	3,782,515	47,050	134,252	181,302	3,963,817
Office equipment	1,214,926	890,201	802,723	2,907,850	606,293	407,555	1,013,848	3,921,698
Educational seminars	763,572	3,123,376	213,221	4,100,169	64,068	372,259	436,327	4,536,496
Professional services	1,093,084	287,162	510,336	1,890,582	375,428	239,553	614,981	2,505,563
Depreciation and amortization	735,635	645,860	581,380	1,962,875	315,303	336,423	651,726	2,614,601
Public education materials	317,094	385,239	979,289	1,681,622	53,205	530,522	583,727	2,265,349
Shipping and postage	56,155	49,482	1,097,291	1,202,928	115,229	287,247	402,476	1,605,404
Grant disbursements	1,036,122	-	-	1,036,122	-	-	-	1,036,122
Blackstone scholarships	32,500	1,322,848	-	1,355,348	-	-	-	1,355,348
Direct legal services	1,249,485	-	-	1,249,485	-	-	-	1,249,485
Financial services	22,974	7,956	9,288	40,218	537,813	2,980	540,793	581,011
Insurance	127,528	97,345	74,794	299,667	136,002	25,040	161,042	460,709
Communications	137,297	89,397	101,012	327,706	37,445	55,165	92,610	420,316
Office supplies	94,305	80,374	74,161	248,840	34,058	34,132	68,190	317,030
	<u>\$ 30,280,765</u>	<u>\$ 24,974,550</u>	<u>\$ 24,288,879</u>	<u>\$ 79,544,194</u>	<u>\$ 9,286,695</u>	<u>\$ 11,090,701</u>	<u>\$ 20,377,396</u>	<u>\$ 99,921,590</u>

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 9,240,162	\$ 7,922,435
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	3,046,395	2,614,601
Net realized and unrealized gains on investments	(2,309,940)	(1,626,535)
(Gain) loss on sale & disposal of property and equipment	237,022	(9,124)
Donated land	-	(315,000)
Noncash effect of change in accounting principle	-	17,883
Noncash change in operating leases	(426,003)	-
Net change in operating assets and liabilities:		
Prepaid expenses and other assets	(227,122)	(648,268)
Pledges receivable	998,167	1,028,527
Accounts payable	(75,578)	326,196
Accrued expenses	(587,751)	611,778
Deferred membership dues	37,643	162,039
Net Cash Provided by Operating Activities	9,932,995	10,084,532
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,479,162)	(3,287,479)
Proceeds on sale of property and equipment	-	122,353
Proceeds on sale of investments	29,468,059	19,235,834
Purchase of investments and reinvested interest and dividends	(30,997,686)	(25,241,699)
Net Cash Used by Investing Activities	(5,008,789)	(9,170,991)
Change in Cash, Cash Equivalents, and Restricted Cash	4,924,206	913,541
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	21,398,325	20,484,784
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 26,322,531	\$ 21,398,325
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH CONSIST OF:		
Cash and cash equivalents	\$ 17,513,634	\$ 8,052,983
Restricted cash	8,808,897	13,345,342
	\$ 26,322,531	\$ 21,398,325
NON-CASH TRANSACTIONS:		
Operating lease-right-of-use assets obtained in exchange for operating lease obligations	\$ 291,791	\$ 5,763,707
Accrued rent liability transferred to operating lease obligation	\$ -	\$ 809,256

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

1. NATURE OF ORGANIZATIONS:

Alliance Defending Freedom (ADF) was formed in 1993. ADF is a global Christian legal organization that exists to advance every person's God-given right to live and speak the truth, and to keep the door open for the Gospel. ADF does this work primarily through litigation, legislative policy, and legal training advancing free speech, religious freedom, parental rights, and the sanctity of life and marriage. As the hub of a broad alliance, ADF seeks to assist allies in the legal community, corporations, nonprofits, state and federal government, and international organizations to advance generational wins in law and public policy.

ADF's affiliated entities ("Affiliates") exist to support and facilitate ADF's mission.

These consolidated statements include the activities of ADF, ADF Foundation, 15100, LLC, 15100 Solar, LLC, ADF International, Alliance Defending Freedom India Trust, ADF International Belgium, ADF International Austria GmbH, ADF International Switzerland, ADF International UK, ADF International France, ADF Deutschland, and ADF Action. ADF Foundation was incorporated in 2005 as a separate, independent corporation. 15100, LLC was organized in 2007 to own and operate a commercial real estate property for the benefit of ADF. 15100, LLC is a single member LLC whose member is ADF. 15100 Solar, LLC was organized in 2012 to own and operate a solar energy project in connection with 15100, LLC. 15100 Solar, LLC is a single member LLC whose member is 15100, LLC. ADF International was incorporated in 2023 as a separate, independent corporation. Alliance Defending Freedom India Trust, ADF International Belgium, ADF International Austria GmbH, ADF International Switzerland, ADF International UK, ADF International France, and ADF Deutschland are subject to appropriate tax filings in their jurisdiction. These entities are collectively referred to as Alliance Defending Freedom and Affiliates (ADF and Affiliates) in these consolidated financial statements.

ADF and ADF International are incorporated in the Commonwealth of Virginia. ADF Foundation is incorporated in the state of Arizona. ADF, ADF Foundation, and ADF International operate as nonprofit religious organizations under Section 501(c)(3) of the Internal Revenue Code (the Code) and are publicly supported organizations under Sections 170(b)(1) and 509(a) of the Code. ADF Action was incorporated in 2022 as a 501(c)(4) of the Code. ADF, ADF Foundation, ADF International, and ADF Action are not considered to be private foundations under Section 509(a) of the Code. ADF and Affiliates' primary source of support and revenue is contributions.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of ADF and Affiliates have been prepared on the accrual basis of accounting. ADF and Affiliates uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of any contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the consolidated financial statements. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

Due to a combination of board control and economic control, the entities listed in Note 1 are controlled entities of ADF for the purposes of these consolidated statements. The consolidated financial statements of ADF and Affiliates therefore include the financial resources and activities of these entities. All significant intercompany balances and transactions have been eliminated.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in checking accounts and interest-bearing money market accounts. As of June 30, 2024 and 2023, ADF and Affiliates has cash and cash equivalents on deposit with financial institutions that exceed the federally insured balance by approximately \$24,750,000 and \$19,120,000, respectively, including restricted cash.

RESTRICTED CASH

Restricted cash consists of cash and cash equivalents restricted by the board for operating reserves, project grants, and liquidated damages for future contracted events.

PLEDGE RECEIVABLE

Pledge receivable consists of an unconditional promise to give and is recognized as assets and support in the period made. Unconditional promises that are expected to be received within one year are recorded at their net realizable value based upon management's estimate of the pledges being collectible. Unconditional promises that are expected to be collected in more than one year are recorded at a discounted present value using a discount rate of 3% when the pledge receivable was recognized. Further, management has evaluated and believes the pledges are fully collectible; therefore, no allowance for uncollectibility has been recorded as of June 30, 2024 and 2023.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets mainly consist of deposits for program event space and travel expenses for events taking place after year-end, court awarded fees receivables, software licenses, and insurance payments. Other assets consist of security deposits paid on office rental space.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments consist of cash and cash equivalents, mutual funds, exchange traded funds, and certificates of deposit with an original maturity greater than ninety days. Cash and cash equivalents are recorded at historical cost. All other investments are recorded at their estimated fair value. See note 10 for more information. Donated securities are recorded at estimated fair value at the date of donation and thereafter carried in conformity with the stated policy.

All assets held for the endowment are recorded at fair value with unrealized gains and losses reported in the consolidated statements of activities in the year in which they occur. Donated investments are recorded at fair value at the date of donation. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires ADF and Affiliates to retain as a fund of perpetual duration.

ADF Foundation exists to financially support ADF in achieving its objectives. The long-term success of the ADF Foundation's financial support to ADF is dependent in part upon the performance of ADF Foundation's funds, including endowment funds.

ADF Foundation defines an endowment as a fund or part of such a fund that, under the terms of a donor's gift instrument, is not wholly expendable by ADF Foundation on a current basis. This does not include assets that ADF Foundation designates as a fund for its own use, or assets held by ADF Foundation that ADF designates as a fund for its own use.

The board of directors of ADF Foundation has interpreted Arizona's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Arizona's Management of Charitable Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ADF Foundation classifies as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetuity is classified as restricted by purpose and time until those amounts are appropriated for expenditure by ADF Foundation in a manner consistent with the standard of prudence prescribed by the Act.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS, continued

ADF Foundation has adopted a spending policy as permitted by the Act and UPMIFA, and all endowment funds are subject to such policy. ADF Foundation complies with its policy and the Act, as it may be amended from time to time, in all decisions relating to the expenditure or retention of the endowment funds. The Act permits ADF Foundation to appropriate for expenditure or accumulate so much of any endowment as ADF Foundation determines is prudent for the uses, benefits, purposes, and duration for which the applicable endowment was established, subject to the intent of donors expressed in the applicable gift instrument.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost if purchased and includes improvements that significantly add to utility or extend useful lives. Costs of maintenance and repairs are charged to expense as incurred. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives. Depreciation and amortization ranges from 10 to 39 years for buildings and improvements, and from 3 to 10 years for furniture and equipment. When depreciable assets are disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any gain or loss is included in support and revenue for the period. Purchases in excess of \$3,000 are capitalized, with lesser amounts expensed when incurred.

NET ASSETS

The net assets of ADF and Affiliates are reported in the following categories:

Net assets without donor restrictions consist of resources that are available for current operations, and those resources invested in subsidiaries and property and equipment.

Net assets with donor restrictions include donor-restricted contributions for specified exempt purposes and unappropriated endowment income. These include donor restrictions requiring that net assets be held in perpetuity with only amounts appropriated pursuant to the spending policy available for distribution or otherwise as provided by the gift instrument.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or unconditionally promised. Gifts of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. Upon satisfaction of the restriction, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. All contributions are considered to be without donor restrictions unless specifically restricted by the donor or grantor. Contributions without donor restrictions from the general public are primarily used to fund program costs, legal projects, and case grants.

Contributed services are primarily comprised of services donated to ADF and Affiliates that they would have otherwise had to pay for and are recognized when the service is rendered. Through various programs, ADF continues to build an alliance of volunteer attorneys and future attorneys who can work within America's legal system and international bodies of law. These network attorneys work toward ADF's mission of advancing the God-given right to live and speak the truth and keeping the door open for the Gospel by advocating for free speech, religious freedom, parental rights, and the sanctity of life and marriage. Contributed services are recognized as in-kind support at their estimated fair value and are reported using current rates for similar services in their principal market. The value of these services was \$300 per hour for the years ended June 30, 2024 and 2023. 3,866 and 4,171 hours were recognized for the years ended June 30, 2024 and 2023, respectively. All contributed services were utilized in the furtherance of ADF and Affiliates' programs.

Membership revenue consists primarily of annual fees paid by allied churches and ministries. These amounts are recorded when earned, which is ratably in the reporting period in which services are delivered. Deferred membership dues are recorded for the portion of the membership that has not yet occurred, as of June 30, 2024 and 2023. All other income is recorded when earned.

EXPENSES

Expenses are reported when costs are incurred in accordance with the accrual basis of accounting. ADF's program expenses are as follows:

LEGAL ADVOCACY: ADF is a Christian legal organization that contends for truth in law, policy, and the public square by engaging in litigation and advocacy advancing free speech, religious freedom, parental rights, and the sanctity of life and marriage. Since 2011, ADF has won 15 cases at the United States Supreme Court while maintaining an 80 percent win rate overall, despite taking on some of the most difficult cases. In that same timeframe, ADF has played an important role in 77 Supreme Court victories, all the while serving clients and allies free of charge.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

EXPENSES, continued

ADF's program expenses are as follows, continued:

LEGAL ADVOCACY, continued: Today, ADF is a global organization with 10 offices worldwide, 107 staff attorney positions, and almost 5,000 network attorneys. ADF offers expertise in constitutional law and international human rights law at the highest levels of the U.S. and international legal systems. Federal and state legislators have sought ADF's counsel, inviting ADF attorneys to testify before Congress and state legislatures. ADF's impact is also being felt in corporate America, as ADF attorneys promote an ethic of free speech, religious freedom, and human dignity in the corporate sphere. ADF also provides grants to support our network attorneys working on matters aligned with ADF's strategic objectives. (Note: nonfinancial data provided in Legal Advocacy is unaudited).

ALLIED SUPPORT AND TRAINING: ADF seeks to cultivate allies across multiple professions who contend for truth in law, policy, and the public square. ADF provides training, education, events, amicus curae opportunities, and other supportive initiatives so that ADF's mission can be multiplied through a committed community. Through ADF's training events around the world, law students, attorneys, legal advocates, clergy, policy leaders, civil servants, and communications professionals participate in world-class training, strategy, and networking.

PUBLIC EDUCATION: As a legal advocacy organization, ADF seeks to educate the public about the importance of protecting the fundamental freedoms within its mission. This is accomplished through a variety of channels, including public speaking; digital, electronic, and print resources; social media; events; and a comprehensive website. Key examples include a parental rights toolkit to help parents know their rights, a monthly magazine entitled Faith & Justice, and an annual index ranking corporations on their protection of diverse viewpoints. These and other educational initiatives increase awareness about key cultural and legal issues of the day, while serving to identify potential ADF allies.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Accordingly, certain costs, such as salaries, have been allocated among the program services and supporting activities benefited. All expenses are reported when costs are incurred. See the expenses section above for detailed program descriptions.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES, continued

The consolidated financial statements present various categories of expenses that are attributable to more than one program or supporting function. ADF and Affiliates perform its allocation of such expenses at the individual support department level based on time and effort expended on behalf of the supported program activities, space occupied or shared services utilized by the supported program activities, and the purpose of the content of various print and electronic communications.

ADVERTISING

ADF and Affiliates uses advertising to promote its programs among the audiences it serves and to raise funds. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2024 and 2023, was approximately \$401,000 and \$447,000, respectively, and are included in the public education materials lines of the consolidated statements of functional expenses.

RECLASSIFICATION

Within its previous financial statements, management presented grants as a separate program service. During the year ended June 30, 2024, management elected to combine grants with legal advocacy on the consolidated statements of activities and functional expenses in order to simplify the presentation. Prior year presentation has been adjusted to match current year presentation. There was no change to total program expenses for the year ended June 30, 2023.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

3. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects ADF and Affiliates' financial assets reduced by amounts not available for general use within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	June 30,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 17,513,634	\$ 8,052,983
Pledges receivable	603,090	1,601,257
Other receivables (included in prepaid expenses and other assets)	553,380	470,305
Restricted cash	8,808,897	13,345,342
Investments	41,115,685	37,276,118
Financial assets, at year-end	68,594,686	60,746,005
Less those unavailable for general expenditure within one year, due to:		
Pledges receivable not expected to be received within one year	-	(650,000)
Donor imposed restrictions:		
Donor restricted as to purpose and use	(121,000)	(3,762,491)
Donor restricted endowments- restricted by perpetuity	(1,871,404)	(1,731,404)
Board designations:		
Funds set aside for operating reserves	(8,808,897)	(7,089,897)
Funds set aside for board-designated endowment	-	(142,834)
Funds set aside for contract obligations	(923,674)	(1,333,704)
	(11,724,975)	(14,710,330)
Financial assets available within one year to meet cash needs for general expenditures	\$ 56,869,711	\$ 46,035,675

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

3. LIQUIDITY AND FUNDS AVAILABLE, continued:

ADF and Affiliates has a board-established objective to maintain 90 days of specified operating expenses in reserve to ensure the stability and continuance of its mission, programs, employment, and ongoing operations. Management invests cash in excess of estimated near-term requirements in various short-term investments including certificates of deposit and marketable fixed income instruments. ADF and Affiliates operates with a budget approved by the governing board of directors and anticipates funding expenditures not covered by donor-restricted resources with current resources without donor restrictions, and resources without donor restrictions carried forward from prior periods. Further, ADF and Affiliates expects to utilize \$3,530,474 and \$4,921,741 of the board designated funds for contractual obligations and grants during the years ended June 30, 2025 and 2024, respectively.

4. PLEDGES RECEIVABLE:

Pledges receivable consists of:

	June 30,	
	2024	2023
Pledges receivable	\$ 603,090	\$ 1,700,000
Less present value discount	-	(98,743)
	\$ 603,090	\$ 1,601,257

Pledges receivable is expected to be collected as follows:

Due in less than one year	\$ 603,090	\$ 1,050,000
Due in one to two years	-	650,000
	\$ 603,090	\$ 1,700,000

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

5. INVESTMENTS:

Investments consist of:

	June 30,	
	2024	2023
Cash and cash equivalents held for investment purposes	\$ 9,968,366	\$ 9,709,881
Certificates of deposit	911,980	860,586
Exchange traded funds	22,342,628	20,374,154
Mutual funds	7,892,711	6,331,497
	\$ 41,115,685	\$ 37,276,118

Interest income and gains on investments, net of management fees, consist of:

	Year Ended June 30,	
	2024	2023
Dividend and interest income	\$ 1,809,916	\$ 1,035,396
Net realized and unrealized gains (losses)	2,298,192	1,626,535
	\$ 4,108,108	\$ 2,661,931

6. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	June 30,	
	2024	2023
Land	\$ 2,000,000	\$ 2,000,000
Land held for sale	132,232	215,000
Buildings and improvements	39,072,707	38,186,692
Furniture and equipment	19,086,200	18,133,756
	60,291,139	58,535,448
Less accumulated depreciation	(27,400,909)	(24,426,285)
	32,890,230	34,109,163
Construction in process	2,453,245	1,038,567
	\$ 35,343,475	\$ 35,147,730

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

7. OPERATING LEASE—RIGHT-OF-USE ASSETS AND OBLIGATIONS:

ADF leases office space and equipment under noncancellable operating leases that expire between 2024 and 2032. The discount rate represents the risk-free discount rate using a period comparable with that of an individual lease term on the later of July 1, 2022 or the inception date of the lease. The leases require monthly payments ranging from \$80 to \$64,116.

	June 30,	
	2024	2023
Operating lease right-of-use assets	\$ 4,396,106	\$ 4,595,147
Operating lease obligations	\$ 4,797,242	\$ 5,422,286
Operating lease costs	\$ 1,707,148	\$ 1,333,670
Weighted-average discount rate	2.90%	2.91%
Weighted-average remaining lease term	4.04 years	4.69 years

Future minimum lease payments required under operating leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending June 30</u>	
2025	\$ 1,750,309
2026	1,381,652
2027	994,650
2028	185,416
2029	190,978
Thereafter	608,002
	5,111,007
Less imputed interest	(313,765)
	\$ 4,797,242

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

8. NET ASSETS:

Board designated net assets consist of grants and special projects that have been approved but not yet disbursed. Board designated net assets consist of:

	June 30,	
	2024	2023
Board designated case and project grants	\$ 1,548,519	\$ 1,530,844
Board designated contractual obligations	2,905,629	2,862,767
Board designated endowment *	-	142,834
	\$ 4,454,148	\$ 4,536,445
Board designated operating reserve	\$ 8,808,897	\$ 8,808,897

* The Board elected to terminate the board designated endowment during the year ended June 30, 2024.

Net assets with donor restrictions consist of:

	June 30,	
	2024	2023
Restricted by time or purpose:		
Parental rights	\$ 1,378,481	\$ 3,314,672
Life	996,871	2,680,000
Time restricted	603,090	1,601,257
Special projects and grants	146,000	1,103,835
International projects	160,000	36,800
Endowment earnings (underwater)	92,376	(12,703)
	3,376,818	8,723,861
Restricted in perpetuity	1,871,404	1,731,404
	\$ 5,248,222	\$ 10,455,265

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

9. ENDOWMENT FUNDS:

Changes in endowment net assets with donor restrictions consist of:

	Year Ended June 30, 2024			
	With Donor Restrictions			Total
	Without Donor Restrictions	Restricted by Purpose and Time	Restricted by Perpetuity	
Endowment net assets, beginning of year	\$ 142,834	\$ (12,703)	\$ 1,731,404	\$ 1,861,535
Contributions	-	-	140,000	140,000
Investment income	23,089	220,882	-	243,971
Amounts appropriated for expenditure	(165,923)	(115,803)	-	(281,726)
Endowment net assets, end of year	\$ -	\$ 92,376	\$ 1,871,404	\$ 1,963,780
	Year Ended June 30, 2023			
	With Donor Restrictions			
	Without Donor Restrictions	Restricted by Purpose and Time	Restricted by Perpetuity	Total
Endowment net assets, beginning of year	\$ 105,808	\$ (84,244)	\$ 1,691,176	\$ 1,712,740
Contributions	24,000	-	40,228	64,228
Investment income	13,026	171,036	-	184,062
Amounts appropriated for expenditure	-	(99,495)	-	(99,495)
Endowment net assets, end of year	\$ 142,834	\$ (12,703)	\$ 1,731,404	\$ 1,861,535

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

9. ENDOWMENT FUNDS, continued:

The fair value of endowment funds fell below the original gift value as follows:

	June 30,	
	2024	2023
Original gift value	\$ -	\$ 1,220,283
Current fair value	-	1,090,236
Underwater amount	\$ -	\$ (130,047)

10. FAIR VALUE MEASUREMENTS:

ADF and Affiliates uses appropriate valuation techniques to determine fair value based on inputs available. When possible, ADF and Affiliates measures fair value using Level 1 inputs on the hierarchy presented in the Fair Value Measurements Topic of the FASB Accounting Standards Codification because they generally provide the most reliable evidence of fair value.

Assets measured on a recurring basis and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2: Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value is determined through the use of models or other valuation methodologies.

Level 3: Pricing inputs are unobservable for investments and include situations where there is little, if any, market activity for the investments.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

10. FAIR VALUE MEASUREMENTS, continued:

The following table presents the fair value measurements of assets on a recurring basis:

	Fair Value	Fair Value Measurements Using:	
		Level 1	Level 2
<u>June 30, 2024:</u>			
Investments held at fair value:			
Money market mutual funds	\$ 8,487,330	\$ 8,487,330	\$ -
Other mutual funds	7,892,711	7,892,711	-
Exchange traded funds	22,342,628	22,342,628	-
Certificates of deposit	911,980	-	911,980
	39,634,649	\$ 38,722,669	\$ 911,980
Reconciling items held at cost:			
Cash and cash equivalents	1,481,036		
Total June 30, 2024 investments	\$ 41,115,685		
<u>June 30, 2023:</u>			
Investments held at fair value:			
Money market mutual funds	\$ 6,596,865	\$ 6,596,865	\$ -
Other mutual funds	6,331,497	6,331,497	-
Exchange traded funds	20,374,154	20,374,154	-
Certificates of deposit	860,586	-	860,586
	34,163,102	\$ 33,302,516	\$ 860,586
Reconciling items held at cost:			
Cash and cash equivalents	3,113,016		
Total June 30, 2023 investments	\$ 37,276,118		

Valuation techniques: Fair value for money market funds, mutual funds, and exchange traded funds are based on quoted prices in identical markets. Fair value for certificates of deposits are based on market comparisons.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

11. EMPLOYEE BENEFIT PLANS:

ADF and Affiliates participate in a defined contribution profit-sharing plan under Section 401(k) of the Code. All US-based employees age 21 and above who have worked for at least three months are eligible to participate by making voluntary contributions up to 90% of their gross wages, subject to the IRS-established limits according to their age. ADF and Affiliates match 100% of employee contributions up to 4% of eligible compensation. Employer contributions to the plan were \$1,240,377 and \$1,186,081, for the year ended June 30, 2024 and 2023, respectively.

ADF and Affiliates provide major medical benefits through a partially self-insured plan, which covers substantially all active full-time staff. The plan includes deductibles of \$3,000 per individual and \$6,000 per family per plan year. The stop-loss insurance covers claims in excess of \$140,000 per individual, per the plan year. The amounts paid for claims were \$3,365,073 and \$3,207,277 for the years ended June 30, 2024 and 2023, respectively. Accrued claims payable are included in accrued expenses, and include incurred but not reported claim estimates of approximately \$319,000 and \$433,000 for the years ended June 30, 2024 and 2023, respectively.

12. ALLOCATION OF JOINT COSTS:

During the years ended June 30, 2024 and 2023, ADF and Affiliates incurred joint costs of \$4,672,700 and \$5,545,437, respectively, for informational materials and activities that include fundraising appeals. During the year ended June 30, 2024, \$770,054 of those costs were allocated to fundraising, \$343,766 to general and administrative, and \$3,558,880 to program services. During the year ended June 30, 2023, \$955,243 of those costs were allocated to fundraising, \$387,846 to general and administrative, and \$4,202,348 to program services.

13. COMMITMENTS:

ADF and Affiliates has contracts with various hotels and conference centers for special events to be held in the following years. ADF would be liable for approximately \$2,906,000 and \$2,863,000, as of June 30, 2024 and 2023, respectively, related to these contracts in the event of cancellation.

14. CONCENTRATION:

During the years ended June 30, 2024 and 2023, ADF and Affiliates received contributions from one donor that totaled approximately \$21,306,000 and \$18,498,000, respectively. These gifts accounted for approximately 19% and 17%, respectively, of total support and revenue for the years ended June 30, 2024 and 2023.

15. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 18, 2024, which represents the date the consolidated financial statements were available to be issued.