



ALLIANCE DEFENDING
FREEDOM

FOR FAITH. FOR JUSTICE.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Consolidated Financial Statements
With Independent Auditor's Report

June 30, 2025 and 2024

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

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INDEPENDENT AUDITOR'S 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, 2025 and 2024, 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, 2025 and 2024, 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 *Auditor's 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.

Auditor's 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 auditor's 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 audits.
- 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 audits.

Capin Crouse LLC

Tempe, Arizona
October 27, 2025

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Consolidated Statements of Financial Position

	June 30,	
	2025	2024
ASSETS:		
Cash and cash equivalents	\$ 22,106,686	\$ 13,443,807
Prepaid expenses and other assets	6,053,372	3,265,379
Pledges receivable	-	603,090
Cash designated by the board for grants and contractual obligations	3,887,758	4,454,148
Cash designated by the board for operating reserve	8,808,897	8,808,897
Investments	39,579,109	41,115,685
Operating lease–right-of-use assets	2,987,635	4,396,106
Property and equipment–net	39,365,001	35,343,475
Total Assets	<u>\$ 122,788,458</u>	<u>\$ 111,430,587</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 4,287,163	\$ 3,634,494
Accrued expenses	5,059,233	4,796,955
Deferred membership revenue	1,301,751	1,404,062
Operating lease–right-of-use obligations	3,303,988	4,797,242
Total liabilities	<u>13,952,135</u>	<u>14,632,753</u>
Net assets:		
Net assets without donor restrictions:		
Operating	91,939,309	78,286,567
Board designated for grants and contractual obligations	3,887,758	4,454,148
Board designated operating reserve	8,808,897	8,808,897
	<u>104,635,964</u>	<u>91,549,612</u>
Net assets with donor restrictions	4,200,359	5,248,222
Total net assets	<u>108,836,323</u>	<u>96,797,834</u>
Total Liabilities and Net Assets	<u>\$ 122,788,458</u>	<u>\$ 111,430,587</u>

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Consolidated Statements of Activities

	Year Ended June 30,					
	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions	\$ 101,426,198	\$ 10,259,361	\$ 111,685,559	\$ 95,236,139	\$ 6,573,460	\$ 101,809,599
Contributed services	751,760	-	751,760	1,159,920	-	1,159,920
Membership revenue	3,207,124	-	3,207,124	3,199,480	-	3,199,480
Court awarded fees	2,659,214	-	2,659,214	966,111	-	966,111
Investment income	4,350,361	215,662	4,566,023	3,887,226	220,882	4,108,108
Other income	509,640	-	509,640	722,756	-	722,756
Total Support and Revenue	112,904,297	10,475,023	123,379,320	105,171,632	6,794,342	111,965,974
NET ASSETS RELEASED:						
From purpose restrictions	11,522,886	(11,522,886)	-	12,001,385	(12,001,385)	-
EXPENSES:						
Program services:						
Legal advocacy	42,193,824	-	42,193,824	42,796,041	-	42,796,041
Allied support and training	26,659,465	-	26,659,465	20,761,741	-	20,761,741
Public education	17,521,289	-	17,521,289	14,982,256	-	14,982,256
	86,374,578	-	86,374,578	78,540,038	-	78,540,038
Supporting activities:						
General and administrative	12,146,010	-	12,146,010	10,847,845	-	10,847,845
Fundraising	12,820,243	-	12,820,243	13,337,929	-	13,337,929
	24,966,253	-	24,966,253	24,185,774	-	24,185,774
Total Expenses	111,340,831	-	111,340,831	102,725,812	-	102,725,812
Change in Net Assets	13,086,352	(1,047,863)	12,038,489	14,447,205	(5,207,043)	9,240,162
Net Assets, Beginning of Year	91,549,612	5,248,222	96,797,834	77,102,407	10,455,265	87,557,672
Net Assets, End of Year	\$ 104,635,964	\$ 4,200,359	\$ 108,836,323	\$ 91,549,612	\$ 5,248,222	\$ 96,797,834

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended June 30, 2025

	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	\$ 28,371,900	\$ 11,674,201	\$ 8,102,973	\$ 48,149,074	\$ 7,431,677	\$ 6,688,321	\$ 14,119,998	\$ 62,269,072
Direct marketing	921,445	699,374	4,006,643	5,627,462	329,333	2,378,709	2,708,042	8,335,504
Travel	1,947,036	3,591,961	557,049	6,096,046	232,899	568,764	801,663	6,897,709
Office equipment	1,940,501	1,088,534	930,538	3,959,573	1,034,508	726,140	1,760,648	5,720,221
Educational seminars	717,126	3,246,394	311,366	4,274,886	58,003	519,516	577,519	4,852,405
Occupancy	1,558,868	1,202,839	790,842	3,552,549	685,970	376,217	1,062,187	4,614,736
Professional services	2,028,839	762,395	483,396	3,274,630	811,270	512,011	1,323,281	4,597,911
Depreciation	1,230,506	893,812	536,360	2,660,678	502,694	353,637	856,331	3,517,009
Audio, visual, and media	423,997	1,346,352	277,036	2,047,385	9,337	61,158	70,495	2,117,880
Shipping and postage	68,597	67,483	1,175,748	1,311,828	122,159	312,232	434,391	1,746,219
Grant disbursements	1,443,444	-	-	1,443,444	-	-	-	1,443,444
Blackstone scholarships	52,000	1,302,900	-	1,354,900	-	-	-	1,354,900
Public education materials	227,907	432,023	53,574	713,504	35,866	180,123	215,989	929,493
Insurance	204,463	199,528	126,565	530,556	238,511	45,384	283,895	814,451
Direct legal services	751,760	-	-	751,760	-	-	-	751,760
Financial services	11,650	9,867	22,754	44,271	554,361	9,283	563,644	607,915
Communications	210,931	105,794	92,284	409,009	76,137	64,529	140,666	549,675
Office supplies	82,854	36,008	54,161	173,023	23,285	24,219	47,504	220,527
	<u>\$ 42,193,824</u>	<u>\$ 26,659,465</u>	<u>\$ 17,521,289</u>	<u>\$ 86,374,578</u>	<u>\$ 12,146,010</u>	<u>\$ 12,820,243</u>	<u>\$ 24,966,253</u>	<u>\$ 111,340,831</u>

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services				Supporting Activities			
	Legal Advocacy	Allied Support and Training	Public Education	Total Program Services	General and Administrative	Fundraising	Total Supporting	Total
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
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
Occupancy	1,813,387	820,512	516,445	3,150,344	404,883	235,207	640,090	3,790,434
Professional services	1,848,644	285,622	384,438	2,518,704	655,144	193,592	848,736	3,367,440
Depreciation	1,316,778	690,336	416,105	2,423,219	377,339	245,837	623,176	3,046,395
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
Shipping and postage	87,903	44,404	372,428	504,735	115,697	973,545	1,089,242	1,593,977
Grant disbursements	1,376,929	-	-	1,376,929	-	-	-	1,376,929
Blackstone scholarships	26,000	1,216,500	-	1,242,500	-	-	-	1,242,500
Public education materials	429,853	215,653	85,526	731,032	72,658	679,217	751,875	1,482,907
Insurance	192,194	79,930	55,278	327,402	234,513	29,338	263,851	591,253
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
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 Statements of Cash Flows

	Year Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 12,038,489	\$ 9,240,162
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	3,517,009	3,046,395
Contributions restricted for endowment	(80,000)	(140,000)
Net realized and unrealized gains on investments	(2,297,248)	(2,298,192)
Reinvested interest and dividends	(1,213,279)	(1,223,206)
Loss on sale and disposal of property and equipment	244,835	237,022
Noncash change in operating leases	(84,783)	(426,003)
Net change in operating assets and liabilities:		
Prepaid expenses and other assets	(2,787,993)	157,199
Pledges receivable	603,090	998,167
Accounts payable	(414,123)	(75,578)
Accrued expenses	262,278	(587,751)
Deferred membership revenue	(102,311)	37,643
Net Cash Provided by Operating Activities	<u>9,685,964</u>	<u>8,965,858</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,905,013)	(3,479,162)
Proceeds on sale of property and equipment	188,435	-
Proceeds on sale of investments	15,795,015	29,468,059
Purchase of investments	(10,747,912)	(29,786,228)
Net Cash Used by Investing Activities	<u>(1,669,475)</u>	<u>(3,797,331)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for endowment	80,000	140,000
Net Cash Provided by Financing Activities	<u>80,000</u>	<u>140,000</u>
Change in Cash, Cash Equivalents, and Board-Designated Cash	8,096,489	5,308,527
Cash, Cash Equivalents, and Board-Designated Cash, Beginning of Year	<u>26,706,852</u>	<u>21,398,325</u>
Cash, Cash Equivalents, and Board-Designated Cash, End of Year	<u><u>\$ 34,803,341</u></u>	<u><u>\$ 26,706,852</u></u>

(continued)

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Consolidated Statements of Cash Flows (continued)

	Year Ended June 30,	
	2025	2024
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH CONSIST OF:		
Cash and cash equivalents	\$ 22,106,686	\$ 13,443,807
Cash designated by the board for grants and contractual obligations	3,887,758	4,454,148
Cash designated by the board for operating reserve	8,808,897	8,808,897
	<u>\$ 34,803,341</u>	<u>\$ 26,706,852</u>
NON-CASH TRANSACTIONS:		
Operating lease-right-of-use assets obtained in exchange for operating lease obligations	<u>\$ -</u>	<u>\$ 291,791</u>
Property and equipment obtained through accounts payable	<u>\$ 1,066,792</u>	<u>\$ -</u>

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

1. NATURE OF ORGANIZATIONS:

Alliance Defending Freedom (“ADF”) was formed in 1993. ADF is a global religious 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 accomplishes this mission 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, government, and international organizations to advance generational wins in law and public policy.

These consolidated financial statements include the activities of ADF, ADF Foundation, ADF International, 15100, LLC, 15100 Solar, LLC, ADF Action, Alliance Defending Freedom India Trust, ADF International Belgium, ADF International Austria GmbH, ADF International Switzerland, ADF International (UK), ADF International France, and ADF International Deutschland. These entities operate collaboratively in pursuit of ADF’s mission and are collectively referred to as Alliance Defending Freedom and Affiliates (ADF and Affiliates) in these consolidated financial statements.

ADF is incorporated in the Commonwealth of Virginia. ADF Foundation was incorporated in the State of Arizona in 2005 as a separate, independent corporation. ADF International was incorporated in 2023 in the Commonwealth of Virginia as a separate, independent corporation. 15100, LLC was incorporated in 2006 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 incorporated in 2016 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. Alliance Defending Freedom India Trust, ADF International Belgium, ADF International Austria GmbH, ADF International Switzerland, ADF International UK, ADF International France, and ADF International Deutschland are subject to appropriate tax filings within their respective jurisdictions.

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 the Commonwealth of Virginia in 2022 and operates as a 501(c)(4) organization under the Code. ADF, ADF Foundation, ADF International, and ADF Action are not considered private foundations under Section 509(a) of the Code. The primary source of support and revenue for ADF and Affiliates is contributions.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of ADF and Affiliates have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, 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 could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to depreciation, valuation of contributed services, investments recorded at fair value, collectability of pledges receivable, allocation of functional expenses, and valuation of right-of-use assets and liabilities for leases in excess of twelve months.

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

ADF and affiliates consider all highly liquid investments with an original maturity of three months or less to be cash equivalents, except for cash and cash equivalent amounts included in investments as part of its overall investment portfolio strategy and cash equivalents pending reinvestment in accordance with its investment strategy. As of June 30, 2025 and 2024, ADF and Affiliates has cash and cash equivalents on deposit with financial institutions that exceed the federally insured balance by approximately \$23,639,000 and \$22,423,000, respectively, including restricted cash. Further, as of June 30, 2025 and 2024, ADF and Affiliates held cash and cash equivalents in foreign accounts approximating \$2,685,000 and \$2,711,000, respectively.

BOARD-DESIGNATED CASH

Board-designated cash consist of cash and cash equivalents designated 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. Pledges receivable were fully collected during the year ending June 30, 2025, and no new additional pledges were received.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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, software licenses, and insurance payments. Other assets consist of security deposits paid on office rental space.

INVESTMENTS

Investments consist of cash and cash equivalents, certificates of deposit with an original maturity greater than ninety days, equities, mutual funds and exchange-traded funds. Cash and cash equivalents included within investments 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 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 (MCFA) 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 MCFA.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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 as 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, excluding land, land held for sale and construction in process, 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, those resources invested in subsidiaries, property and equipment, and those designated by the board.

Net assets with donor restrictions include donor-restricted contributions for specified exempt purposes, time restrictions 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, 2025 and 2024

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 represents ADF's contributed non-financial assets and 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 \$400 and \$300 per hour for the years ended June 30, 2025 and 2024, respectively. Approximately 1,879 and 3,866 hours were recognized for the years ended June 30, 2025 and 2024, 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 revenue represents a performance obligation liability and is recorded for the portion of the membership that has not yet occurred as of year end.

Court awarded fees represent amounts awarded to ADF by the court based upon judgements and settlements, which are recorded when earned. Other income, which primarily consists of rental income, is earned as the service is provided.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 religious 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 16 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 83 Supreme Court victories, all the while serving clients and allies free of charge.

ADF is a global organization with 10 offices worldwide, 119 staff attorney positions, and over 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 is also impacting 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 curiae 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, educators, corporate executives, business leaders, 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.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

The consolidated financial statements present various categories of expenses that are attributable to more than one program or supporting function. ADF and Affiliates perform their 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, 2025 and 2024, approximated \$201,000 and \$401,000, respectively, and are included in the public education materials lines of the consolidated statements of functional expenses.

RECLASSIFICATIONS

Certain reclassifications were made to prior year balances to conform with current year presentation.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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,	
	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 22,106,686	\$ 17,897,955
Pledges receivable	-	603,090
Restricted cash	8,808,897	8,808,897
Investments	39,579,109	41,115,685
Financial assets, at year-end	<u>70,494,692</u>	<u>68,425,627</u>
Less those unavailable for general expenditure within one year, due to:		
Donor imposed restrictions:		
Donor restricted as to purpose and use	(620,000)	(121,000)
Donor restricted endowments- restricted by perpetuity	(1,951,404)	(1,871,404)
Board designations:		
Funds set aside for operating reserves	(8,808,897)	(8,808,897)
Funds set aside for grants and contract obligations	(78,436)	(923,674)
	<u>(11,458,737)</u>	<u>(11,724,975)</u>
Financial assets available within one year to meet cash needs for general expenditures	<u>\$ 59,035,955</u>	<u>\$ 56,700,652</u>

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 securities. 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. ADF and Affiliates expects to utilize \$1,628,955 and \$3,255,818 of donor restricted funds during the years ended June 30, 2026 and 2025, respectively. Further, ADF and Affiliates expects to utilize \$3,809,322 and \$3,530,474 of the board designated funds for contractual obligations and grants during the years ended June 30, 2026 and 2025, respectively.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

4. INVESTMENTS:

Investments consist of:

	June 30,	
	2025	2024
Cash and cash equivalents held for investment purposes	\$ 555,863	\$ 7,126,114
Certificates of deposit	961,466	912,086
Equities	8,066,800	-
Exchange-traded funds	26,258,636	24,629,282
Mutual funds	3,736,344	8,448,203
	<u>\$ 39,579,109</u>	<u>\$ 41,115,685</u>

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

	Years Ended June 30,	
	2025	2024
Dividend and interest income	\$ 2,268,775	\$ 1,809,916
Net realized and unrealized gains	2,297,248	2,298,192
	<u>\$ 4,566,023</u>	<u>\$ 4,108,108</u>

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

5. PROPERTY AND EQUIPMENT—NET:

Property and equipment—net consists of:

	June 30,	
	2025	2024
Land	\$ 2,000,000	\$ 2,000,000
Land held for sale	-	132,232
Buildings and improvements	40,479,616	39,072,707
Furniture and equipment	22,037,331	19,086,200
	64,516,947	60,291,139
Less accumulated depreciation	(28,091,239)	(27,400,909)
	36,425,708	32,890,230
Construction in process	2,939,293	2,453,245
	<u>\$ 39,365,001</u>	<u>\$ 35,343,475</u>

6. DEFERRED MEMBERSHIP REVENUE:

Deferred membership revenue represents a performance obligation liability and consist of the following:

	June 30,	
	2025	2024
Deferred membership revenue, beginning of year	\$ 1,404,062	\$ 1,366,419
Deferred membership revenue, end of year	\$ 1,301,751	\$ 1,404,062

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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

ADF leases office space and equipment under noncancellable operating leases that expire between 2025 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,	
	2025	2024
Operating lease right-of-use assets	\$ 2,987,635	\$ 4,396,106
Operating lease obligations	\$ 3,303,988	\$ 4,797,242
Operating lease costs	\$ 1,704,333	\$ 1,707,148
Cash paid for operating leases	\$ 1,789,116	\$ 2,133,151
Weighted-average discount rate	3.17%	2.90%
Weighted-average remaining lease term	3.89 years	4.04 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>	
2026	\$ 1,406,418
2027	1,020,933
2028	202,741
2029	208,823
2030	215,090
Thereafter	449,726
	<u>3,503,731</u>
Less imputed interest	<u>(199,743)</u>
	<u><u>\$ 3,303,988</u></u>

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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,	
	2025	2024
Board designated case and project grants	\$ 1,395,076	\$ 1,548,519
Board designated contractual obligations	2,492,682	2,905,629
	<u>\$ 3,887,758</u>	<u>\$ 4,454,148</u>
Board designated operating reserve	<u>\$ 8,808,897</u>	<u>\$ 8,808,897</u>

Net assets with donor restrictions consist of:

	June 30,	
	2025	2024
Restricted by time or purpose:		
International projects	\$ 1,126,285	\$ 160,000
Special projects and grants	622,556	146,000
Sanctity of Life	308,938	996,871
Endowment earnings	191,176	92,376
Parental rights	-	1,378,481
Time restricted	-	603,090
	<u>2,248,955</u>	<u>3,376,818</u>
Restricted in perpetuity	<u>1,951,404</u>	<u>1,871,404</u>
	<u>\$ 4,200,359</u>	<u>\$ 5,248,222</u>

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

9. ENDOWMENT FUNDS:

ADF and Affiliates' endowment consists of eight individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Board of Directors of ADF and Affiliates has interpreted the State of Arizona's Management of Charitable Funds Act (MCFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, ADF and Affiliates retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual 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 retained in perpetuity are subject to appropriation for expenditure by ADF and Affiliates in a manner consistent with the standard of prudence prescribed by MCFA. In accordance with MCFA, ADF and Affiliates considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the ADF and Affiliates, and (7) ADF and Affiliates investment policies.

Investment Return Objectives, Risk Parameters and Strategies. ADF and Affiliates has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. Those policies attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities. ADF and Affiliates expects its endowment assets, over time, to achieve favorable long-term returns consistent with its Investment Policy Statement. Actual returns in any given year may vary from this expectation. Investment risk is measured in terms of the total endowment fund; investment assets and allocations between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

9. ENDOWMENT FUNDS, continued:

Spending Policy. ADF and Affiliates has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 12 quarters through the calendar year preceding the planned distribution. In establishing this policy, ADF and Affiliates considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. ADF and Affiliates expects the current spending policy to support the long-term growth of its endowment funds. This approach is consistent with ADF and Affiliates' objective to preserve the purchasing power of the endowment assets while achieving additional real growth through new gifts and investment returns.

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). ADF and Affiliates has interpreted MCFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2025 and 2024, ADF and Affiliates did not have any underwater endowments.

Changes in endowment net assets with donor restrictions consist of:

	Year Ended June 30, 2025			
	Without Donor Restrictions	With Donor Restrictions		Total
		Restricted by Purpose and Time	Restricted by Perpetuity	
Endowment net assets, beginning of year	\$ -	\$ 92,376	\$ 1,871,404	\$ 1,963,780
Contributions	-	-	80,000	80,000
Investment income	-	215,662	-	215,662
Amounts appropriated for expenditure	-	(116,862)	-	(116,862)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 191,176</u>	<u>\$ 1,951,404</u>	<u>\$ 2,142,580</u>

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

9. ENDOWMENT FUNDS, continued:

	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 *	<u>(165,923)</u>	<u>(115,803)</u>	<u>-</u>	<u>(281,726)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 92,376</u>	<u>\$ 1,871,404</u>	<u>\$ 1,963,780</u>

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

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

10. FAIR VALUE MEASUREMENTS:

Fair value is the exchange price that would be received for an asset (exit price) in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs, other than quoted prices, that are:
 - observable; or
 - can be corroborated by observable market data.

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

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

The asset'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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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 June 30, 2025 and 2024.

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Money market mutual funds, mutual funds, and exchange-traded funds: Valued at the daily closing price as reported by the fund. Mutual funds held by ADF and Affiliates are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by ADF and Affiliates are deemed to be actively traded.

Certificates of deposit: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

10. FAIR VALUE MEASUREMENTS, continued:

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ADF and Affiliates believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Assets measured at fair value on a recurring basis consist of the following:

		Fair Value Measurements Using:		
	Fair Value	Level 1	Level 2	Level 3
<u>June 30, 2025:</u>				
Investments held at fair value:				
Money market mutual funds	\$ 298,270	\$ 298,270	\$ -	\$ -
Equities	8,066,800	8,066,800	-	-
Exchange-traded funds	26,258,636	26,258,636	-	-
Mutual funds	3,736,344	3,736,344	-	-
Certificates of deposit	961,466	-	961,466	-
	39,321,516	\$ 38,360,050	\$ 961,466	\$ -

Reconciling items held at cost:

Cash and cash equivalents	<u>257,593</u>
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Total June 30, 2025 investments	<u>\$ 39,579,109</u>
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		Fair Value Measurements Using:		
	Fair Value	Level 1	Level 2	Level 3
<u>June 30, 2024:</u>				
Investments held at fair value:				
Money market mutual funds	\$ 5,636,185	\$ 5,636,185	\$ -	\$ -
Exchange-traded funds	24,629,282	24,629,282	-	-
Mutual funds	8,448,203	8,448,203	-	-
Certificates of deposit	912,086	-	912,086	-
	39,625,756	\$ 38,713,670	\$ 912,086	\$ -

Reconciling items held at cost:

Cash and cash equivalents	<u>1,489,929</u>
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Total June 30, 2024 investments	<u>\$ 41,115,685</u>
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ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

10. FAIR VALUE MEASUREMENTS, continued:

CHANGES IN FAIR VALUE LEVELS

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended June 30, 2025 and 2024, there were no significant transfers in or out of Levels 1, 2 or 3.

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 approximated \$1,338,000 and \$1,240,000, for the years ended June 30, 2025 and 2024, respectively.

ADF and Affiliates provide major medical benefits through a partially self-insured plan, which covers substantially all active full-time staff based in the U.S. The plan includes deductibles of \$3,200 per individual and \$6,400 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 approximated \$3,417,000 and 3,365,000 for the years ended June 30, 2025 and 2024, respectively. Accrued claims payable are included in accrued expenses, which include incurred but not reported claim estimates of approximately \$485,000 and \$319,000 for the years ended June 30, 2025 and 2024, respectively.

12. ALLOCATION OF JOINT COSTS:

During the years ended June 30, 2025 and 2024, ADF and Affiliates incurred joint costs of \$4,621,340 and \$4,672,700, respectively, for informational materials and activities that include fundraising appeals. During the year ended June 30, 2025, \$644,160 of those costs were allocated to fundraising, \$346,600 to general and administrative, and \$3,630,579 to program services. 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.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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 \$2,493,000 and \$2,906,000, as of June 30, 2025 and 2024, respectively, related to these contracts in the event of cancellation.

14. CONCENTRATION:

During the years ended June 30, 2025 and 2024, ADF and Affiliates received contributions from one donor that totaled approximately \$15,017,000 and \$21,306,000, respectively. These gifts accounted for approximately 13% and 21%, respectively, of contributions for the years ended June 30, 2025 and 2024.

15. SUBSEQUENT EVENTS:

Management evaluated all events or transactions that occurred after June 30, 2025 through October 27, 2025, the date the ADF and Affiliates financial statements were available to be issued. The following items occurred:

In July 2025, ADF and Affiliates entered into a new lease agreement for office space in London, England. The lease term is 60 months, with monthly lease payments of approximately \$15,000 for years 1-3, and approximately \$13,000 for years 4-5. Additionally, ADF and Affiliates entered into a separate lease agreement for office space in Plano, Texas that commences in October 2025. The lease term is 130 months, with escalating monthly lease payments beginning at approximately \$21,000 and increasing to approximately \$58,000 over the term of the lease.