



Freedom Reads, Inc.

Financial Statements

December 31, 2023 and 2022

AUDIT, TAX & ADVISORY SERVICES
SINCE 1964

**Freedom Reads, Inc.
Financial Statements
December 31, 2023 and 2022**

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Independent Auditor's Report

To the Board of Directors of
Freedom Reads, Inc.

Opinion

We have audited the accompanying financial statements of Freedom Reads, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Freedom Reads, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Freedom Reads, Inc. 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Freedom Reads, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Freedom Reads, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Anstiss & Co., P.C.

Anstiss & Co., P.C.

Chelmsford, MA

June 24, 2024

Freedom Reads, Inc.
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 7,170,276	\$ 4,415,057
Investments	24,149	15,867
Pledges receivable - current - net	5,425,000	-
Prepaid expenses	34,735	7,216
Inventory	437,078	-
Total current assets	13,091,238	4,438,140
Non-current assets		
Pledges receivable - long-term - net	488,862	-
Security deposit	10,000	-
Property and equipment - net	754,536	225,247
Operating lease right-of-use asset	1,301,036	133,605
Total assets	<u><u>\$ 15,645,672</u></u>	<u><u>\$ 4,796,992</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 183,656	\$ 406,520
Operating lease right-of-use liability - current	104,870	28,416
Total current liabilities	288,526	434,936
Non-current assets		
Operating lease right-of-use liability - long-term	1,207,364	106,272
Total liabilities	<u><u>1,495,890</u></u>	<u><u>541,208</u></u>
Net assets		
Without donor restrictions	7,837,670	4,235,784
With donor restrictions	6,312,112	20,000
Total net assets	14,149,782	4,255,784
Total liabilities and net assets	<u><u>\$ 15,645,672</u></u>	<u><u>\$ 4,796,992</u></u>

Freedom Reads, Inc.
Statements of Activities
For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Foundation and corporate contributions	\$ 7,810,025	\$ 6,393,362	\$ 14,203,387	\$ 5,883,693	\$ 20,000	\$ 5,903,693
Individual contributions	285,207	-	285,207	255,850	-	255,850
Investment return	32,694	-	32,694	156	-	156
Other income	1,275	-	1,275	100	-	100
Donated securities	8,842	-	8,842	15,711	-	15,711
Net assets released from restriction	<u>101,250</u>	<u>(101,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>8,239,293</u>	<u>6,292,112</u>	<u>14,531,405</u>	<u>6,155,510</u>	<u>20,000</u>	<u>6,175,510</u>
Expenses						
Program	\$ 3,378,530	\$ -	\$ 3,378,530	\$ 1,422,711	\$ -	\$ 1,422,711
Management and general	847,261	-	847,261	395,352	-	395,352
Fundraising	411,616	-	411,616	101,663	-	101,663
Total expenses	<u>4,637,407</u>	<u>-</u>	<u>4,637,407</u>	<u>1,919,726</u>	<u>-</u>	<u>1,919,726</u>
Change in Net Assets						
Net Assets - Beginning of Year	<u>3,601,886</u>	<u>6,292,112</u>	<u>9,893,998</u>	<u>4,235,784</u>	<u>20,000</u>	<u>4,255,784</u>
Net assets - End of Year	<u><u>\$ 7,837,670</u></u>	<u><u>\$ 6,312,112</u></u>	<u><u>\$ 14,149,782</u></u>	<u><u>\$ 4,235,784</u></u>	<u><u>\$ 20,000</u></u>	<u><u>\$ 4,255,784</u></u>

See the accompanying notes to these financial statements.

Freedom Reads, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Management			
	Program	and General	Fundraising	Total
Salaries	\$ 570,258	\$ 177,718	\$ 122,858	\$ 870,834
Payroll taxes	45,810	14,297	9,764	69,871
Benefits	139,573	20,765	44,873	205,211
Library books	883,087	965	20,021	904,073
Library labor	810,781	-	-	810,781
Library materials	398,037	71	120	398,228
Library opening travel	81,900	537	404	82,841
Book circles	51,298	-	-	51,298
Library installation	44,467	-	-	44,467
Honorarium	24,650	-	-	24,650
Event travel	19,963	-	683	20,646
Professional fees	78,354	398,272	84,350	560,976
Advertising and marketing	63,952	49,159	85,767	198,878
Occupancy	121,904	18,718	8,191	148,813
Information technology	7,387	74,148	2,561	84,096
Travel and meetings	4,516	15,688	23,969	44,173
Depreciation expense	191	42,902	-	43,093
Production costs	25,820	-	-	25,820
Other expenses	4,278	11,528	5,737	21,543
Equipment	1,414	6,971	-	8,385
Office supplies	141	7,013	123	7,277
Miscellaneous	749	3,006	2,195	5,950
Insurance	-	5,503	-	5,503
Total expenses	<u>\$ 3,378,530</u>	<u>\$ 847,261</u>	<u>\$ 411,616</u>	<u>\$ 4,637,407</u>

Freedom Reads, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Management			Total
	Program	and General	Fundraising	
Salaries	\$ 151,031	\$ 59,226	\$ 34,031	\$ 244,288
Payroll taxes	12,670	4,969	2,855	20,494
Benefits	20,775	8,147	4,681	33,603
Library books	384,066	-	665	384,731
Library labor	336,282	-	-	336,282
Library materials	376,717	-	-	376,717
Professional fees	31,658	192,131	41,100	264,889
Advertising and marketing	1,917	108	8,834	10,859
Occupancy	2,575	23,502	-	26,077
Information technology	443	71,764	199	72,406
Travel and meetings	66,390	9,489	9,035	84,914
Production costs	28,580	-	10	28,590
Other expenses	1,842	15,783	24	17,649
Office supplies	7,765	10,233	229	18,227
Total expenses	<u>\$ 1,422,711</u>	<u>\$ 395,352</u>	<u>\$ 101,663</u>	<u>\$ 1,919,726</u>

Freedom Reads, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 9,893,998	\$ 4,255,784
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,093	-
Donated securities	(8,842)	(15,711)
Realized and unrealized loss (gain) on investments - net	1,105	(144)
Non-cash portion of rent expense for operating lease	78,834	24,378
Changes in assets and liabilities:		
Increase in pledges receivable	(5,913,862)	-
Increase in prepaid expenses	(27,519)	(7,216)
Increase in inventory	(437,078)	-
Increase in security deposit	(10,000)	-
(Decrease) increase in accounts payable and accrued expenses	(222,864)	406,520
Repayment of operating lease right-of-use liability	(68,719)	(23,295)
Net cash provided by operating activities	<u>3,328,146</u>	<u>4,640,316</u>
 Cash flows from investing activities:		
Purchase of investments	(545)	(12)
Purchases of property and equipment	<u>(572,382)</u>	<u>(225,247)</u>
Net cash used in investing activities	<u>(572,927)</u>	<u>(225,259)</u>
 Net Increase in Cash and Cash Equivalents	2,755,219	4,415,057
Cash and Cash Equivalents at Beginning of Year	4,415,057	-
Cash and Cash Equivalents at End of Year	<u>\$ 7,170,276</u>	<u>\$ 4,415,057</u>
 Non-cash investing activity		
Donation of securities	<u>\$ 8,842</u>	<u>\$ 15,711</u>

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 1 – Organization

Freedom Reads, Inc. (the “Organization”), established on October 5, 2021 in the State of Connecticut pursuant to the Connecticut Revised Nonstock Corporation Act, is a first-of-its-kind organization bringing libraries to people in prison so that they can transform hopelessness into possibility. The goal is to bring beautifully handcrafted 500-book libraries into prison, and by doing so, bring hope and possibility to people there.

The Organization is the only organization in the country with a mission to provide libraries to prisons thereby supporting the efforts of people in prison to imagine new possibilities for their lives. Through three core initiatives — Freedom Library, Ambassadors, and Stories — the Organization reminds us of the dignity of all people whether serving time, or not, and that our freedom begins with a book.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time the liabilities are incurred. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations are classified as net assets without donor restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time are classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Also included in this category, are net assets subject to donor restrictions to be maintained in perpetuity as permanent assets of the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specified purposes.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

During 2023, certain amounts reported in the 2022 financial statements were reclassified to conform to current year presentation.

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash represents operating cash held in bank accounts in high quality financial institutions in the United States. The Organization defines cash equivalents as short-term, highly liquid investments with an original maturity of three months or less.

Fair Value of Financial Instruments

The Organization has adopted ASC 820-10, “*Fair Value Measurements and Disclosures*.” ASC 820-10 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

In these instances, where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

ASC 825-10, “*Financial Instruments*”, permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis.

Investments

The Organization follows the provisions of ASC 958-320, “*Investments – Debt and Equity Securities*”, whereby investments in marketable securities with readily determinable fair values are reported at their fair market values in the statements of financial position. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in the accompanying statement of activities.

Investment decisions are made by the Executive Director, which has oversight responsibility for the Organization’s investments. The Organization’s portfolio is made up of donated stocks and is managed by the Executive Director. The investment guidelines established are to sell the stocks after receipt and transfer funds to the operating account.

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Pledges Receivable

Unconditional pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Unconditional pledges receivable that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using the prime rate at the date of the contribution. Subsequent amortization of the discount is credited to contribution income. The Organization has established an allowance for uncollectible promises which represent an estimate, discounted for present value, of pledges receivable which will be written off. Conditional pledges receivable are not included in support until the conditions are met.

Inventory

Inventory consists of library materials and third party labor costs and is valued at cost, determined by the first-in, first-out (FIFO) method.

Property and Equipment

The Organization capitalizes major purchases of property and equipment of \$2,000 or more which are not in the nature of replacements or repairs. Minor equipment purchases, replacements, maintenance, and repairs that do not improve or extend the lives of the respective assets are charged to expense as incurred. Capitalized property and equipment are recorded at cost if purchased or constructed, or at fair market value at the date of the gift, if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets capitalized as follows:

Category	Years
Leasehold improvements	10
Furniture and equipment	3-10
Website	3
Computers and software	3

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparison to the future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Revenue Recognition

The Organization follows Accounting Standards Update (ASU) No. 2014-09, “*Revenue from Contracts with Customers (Topic 606)*”, and ASU No. 2018-08, “*Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*”.

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

In accordance with ASC 958-605, contributions are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Gifts of assets other than cash are recorded at their estimated fair value on the date of gift. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Funds received on conditional contributions prior to meeting conditions are reported as refundable advances in the statement of financial position.

In-kind contributions are recorded at their estimated fair value as of the date of the contribution. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions.

Functional Allocation of Expenses

Expenses are allocated among program and supporting services directly or based on time records and utilization estimates made by management. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for overall support and direction of the Organization.

Leases

The Organization follows ASU 2016-02, “*Leases*”, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases. The Organization has exercised the option under ASU 2016-02, to adopt a policy of expensing payments on operating leases with lease terms of twelve months or less. Under this standard, leases will be classified as either finance or operating, with classification affecting the recognition of expenses in the statement of activities.

Advertising and Marketing

The Organization expenses advertising and marketing costs as they are incurred.

Income Taxes and Uncertain Tax Positions

The Organization, under Chapter 602 of the Connecticut Revised Nonstock Corporation Act as a tax-exempt entity, has been granted tax-exempt status under Internal Revenue Code Section 501(c)(3), and is, therefore, generally exempt from federal and state income taxes. Accordingly, no provision for income taxes has been provided for in the accompanying financial statements.

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes and Uncertain Tax Positions

ASC 740-10, “*Income Taxes*”, requires the Organization to evaluate and disclose tax positions that could have an effect on the Organization’s financial statements. The Organization reports its activities to the Internal Revenue Service and to the State of Connecticut on an annual basis. This informational return is generally subject to audit and review by the governmental agencies for a period of three years after filing. Substantially all of the Organization’s income, expenditures and activities relate to its exempt purpose, therefore, management has determined that the Organization is not subject to material unrelated business income taxes and will continue to qualify as tax-exempt.

Accounting Standard Updates Adopted

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, “Measurement of Credit Losses on Financial Instruments” (Topic 326). The ASU requires assets measured at amortized cost basis to be presented at the net amount expected to be collected on the financial asset over its full life. The statement of activities will reflect the measurement of credit losses for newly recognized financial assets, as well as expected increases or decreases of expected credit losses that have taken place during the period. This ASU is effective for nonprofit organizations for fiscal years beginning after December 15, 2022. The adoption of the new ASU did not have any material impact on the Organization’s financial statements for the year ended December 31, 2023.

Note 3 – Concentration of Credit Risk

The Organization maintains its cash in a bank deposit account, which at times, may exceed federally insured limits. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant financial risk on cash.

Seventy percent of contribution revenue was received from one private foundation and sixty-six percent of contribution revenue was received from two private foundations during the years ended December 31, 2023 and 2022, respectively.

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 4 – Liquidity and Availability

Financial assets available for general expenditure, that is, without board-designations or donor restrictions limiting their use, within one year of the statement of financial position date were as follows as follows for the years ending December 31, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 7,170,276	\$ 4,415,057
Investments	24,149	15,867
Pledge receivable - net	<u>5,913,862</u>	-
Total current financial assets available for expenditure	<u>13,108,287</u>	<u>4,430,924</u>
Less: amount not available for general expenditure		
Net assets with time restrictions	(488,862)	(20,000)
Net assets with donor restrictions for specific purpose	(398,250)	-
Net assets with time restriction and donor restriction	<u>(75,000)</u>	-
Financial assets available to meet general expenditures over the next twelve months	<u>\$12,146,175</u>	<u>\$ 4,410,924</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 5 – Fair Value of Financial Instruments

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures (see Note 2). The following table presents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2023 and 2022:

	2023			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments				
Equities				
Stocks	\$ -	\$ -	\$ -	\$ -
Mutual funds	-	-	-	-
Total equities	-	-	-	-
Cash and cash equivalents	<u>24,149</u>	<u>24,149</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 24,149</u>	<u>\$ 24,149</u>	<u>\$ -</u>	<u>\$ -</u>

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 5 – Fair Value of Financial Instruments (continued)
2022

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments				
Equities				
Stocks	\$ 7,615	\$ 7,615	\$ -	\$ -
Mutual funds	5,029	5,029	-	-
Total equities	12,644	12,644	-	-
Cash and cash equivalents	3,223	3,223	-	-
Total investments	<u>\$ 15,867</u>	<u>\$ 15,867</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6 – Net Investment Return

Realized and unrealized gains or losses on investments are determined by comparison of the difference between market values and average cost, respectively. Interest and dividend income is recognized when earned.

Net investment return consists of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Interest and dividends	\$ 33,799	\$ 12
Net realized and unrealized gains on investments	(1,085)	144
Investment fees	(20)	-
Net investment return	<u>\$ 32,694</u>	<u>\$ 156</u>

Note 7 – Pledges Receivable

The following table summarizes pledges receivable as of December 31, 2023 and 2022:

	2023	2022
Receivable in less than one year	\$ 5,425,000	\$ -
Receivable in one to five years	550,000	-
Total gross grants receivable	5,975,000	-
Less: discounts to new present value at 8.50%	(61,138)	-
Pledges receivable - net	<u>\$ 5,913,862</u>	<u>\$ -</u>

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 8 – Conditional Promise to Give

As of December 31, 2022, the Organization had one conditional promise to give in the amount of \$200,000. The promise to give is conditional upon the Organization installing a total of 200 Freedom Libraries (by end of 2023) and be on-track to reach a total of 375 libraries by end of 2024, hiring three additional staff to support program expansion, expanding apprenticeship program based in fabrication shops to 10 participants, and completing a strategic planning process and begin evaluation of the Organization's impact. These conditions were met and the promise to give was received during 2023.

There were no conditional promises to give as of December 31, 2023.

Note 9 – Property and Equipment

The balance in property and equipment was comprised of the following as of December 31, 2023 and 2022:

	2023	2022
Leasehold improvements	\$ 710,846	\$ -
Furniture and equipment	46,602	-
Website	31,500	-
Computers and software	8,681	5,247
Construction in progress	-	220,000
Total property and equipment	<u>797,629</u>	<u>225,247</u>
Less: Accumulated depreciation	<u>(43,093)</u>	<u>-</u>
Property and equipment - net	<u><u>\$ 754,536</u></u>	<u><u>\$ 225,247</u></u>

Depreciation expense for the year ended December 31, 2023 was \$43,093. There was no depreciation expense for the year ended December 31, 2022.

Note 10 – Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Pledges receivable – time restricted	\$ 5,838,862	\$ -
Pledges receivable – time and purpose restricted	75,000	-
Total pledges receivable	<u>5,913,862</u>	<u>-</u>
Purpose restrictions		
Technology and digital tools	250,000	-
Program support	65,000	-
Prison libraries	36,000	15,000
Travel	25,000	-
Sponsorships	18,750	-
Shelves and books	3,500	5,000
Total net assets with donor restrictions	<u><u>\$ 6,312,112</u></u>	<u><u>\$ 20,000</u></u>

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2023 and 2022

Note 11 – Operating Leases

The Organization leases its operating facility and storage space under the terms of operating lease agreements requiring monthly payments ranging from \$1,950 to \$15,108, expiring in various years through May 2033. In accordance with ASC 842, *Leases*, the Organization has recorded liabilities under operating leases totaling \$1,312,234 and \$134,688 as of December 31, 2023 and 2022, respectively, based on the present value of remaining minimum lease payments on these leases. The Organization elected to use the weighted-average discount rate of 3.61% as the discount rate to calculate the lease liabilities. Corresponding assets under operating leases totaling \$1,301,036 and \$133,605 were recorded as of December 31, 2023 and 2022, respectively.

For the years ended December 31, 2023 and 2022, rent expense under these agreements totaled \$118,225 and \$23,470.

Future minimum lease commitments under the Organization's operating leases as of December 31, 2023 are as follows:

2024	\$ 150,080
2025	153,398
2026	156,814
2027	160,333
2028	163,958
Thereafter	<u>769,844</u>
Total future minimum lease commitments	\$ 1,554,427
Unamortized discount (3.61%)	<u>(242,193)</u>
Operating lease right-of-use liability	<u>\$ 1,312,234</u>

Note 12 – Contingencies

From time to time, the Organization may become involved in litigation relating to claims arising out of operations in the normal course of business, which are considered routine and incidental to the business. The Organization is currently not a party to any legal proceedings which, in management's opinion, would have a material adverse effect on its financial condition.

Note 13 – Subsequent Events

ASC 855-10, “*Subsequent Events*”, defines further disclosure requirements for events that occur after the statement of financial position date but before financial statements are issued. In accordance with ASC 855-10, the Organization's management has evaluated events subsequent from December 31, 2023 through June 24, 2024, which is the date the financial statements were available to be issued.

Effective January 1, 2024, the Organization established a Profit Sharing and Safe Harbor 401(k) Plan.

There have been no other significant or material events noted during this period that would either impact the results reflected in this report or the Organization's results going forward.