

Freedom Reads, Inc.
Financial Statements
December 31, 2024 and 2023

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December 31, 2024 and 2023

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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, 2024 and 2023, 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, 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 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.

Grassi & Co, CPAs, P.C.

GRASSI & CO., CPAs, P.C.

Chelmsford, Massachusetts

July 28, 2025

Freedom Reads, Inc.
Statements of Financial Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 9,304,118	\$ 7,170,160
Investments	-	24,149
Pledges receivable - current - net	925,000	5,425,000
Other receivable	1,314	-
Employee receivable	73	116
Prepaid expenses	38,307	34,735
Inventory	394,805	437,078
Total current assets	10,663,617	13,091,238
Non-current assets		
Pledges receivable - long-term - net	232,558	488,862
Security deposit	12,850	10,000
Property and equipment - net	719,396	754,536
Programmatic documentary	382,189	-
Operating lease right-of-use asset	1,182,364	1,301,036
Total assets	<u>\$ 13,192,974</u>	<u>\$ 15,645,672</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 172,969	\$ 183,656
Payroll liabilities	87,519	-
Refundable advance	25,000	-
Operating lease right-of-use liability - current	112,101	104,870
Total current liabilities	397,589	288,526
Non-current assets		
Operating lease right-of-use liability - long-term	1,095,263	1,207,364
Total liabilities	1,492,852	1,495,890
Net assets		
Without donor restrictions	10,243,151	7,837,670
With donor restrictions	1,456,971	6,312,112
Total net assets	11,700,122	14,149,782
Total liabilities and net assets	<u>\$ 13,192,974</u>	<u>\$ 15,645,672</u>

Freedom Reads, Inc.
Statements of Activities
For the Years Ended December 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Foundation and corporate contributions	\$ 1,381,896	\$ 903,697	\$ 2,285,593	\$ 7,810,025	\$6,393,362	\$ 14,203,387
Government grants	400,000	450,000	850,000	-	-	-
Individual contributions	282,178	-	282,178	285,207	-	285,207
Investment return	180,466	-	180,466	32,694	-	32,694
Other income	-	-	-	1,275	-	1,275
Donated securities	10,400	-	10,400	8,842	-	8,842
Net assets released from restriction	6,208,838	(6,208,838)	-	101,250	(101,250)	-
Total revenue	8,463,778	(4,855,141)	3,608,637	8,239,293	6,292,112	14,531,405
Expenses						
Program	\$ 4,466,854	\$ -	\$ 4,466,854	\$ 3,427,384	\$ -	\$ 3,427,384
Management and general	1,049,143	-	1,049,143	797,423	-	797,423
Fundraising	542,300	-	542,300	412,600	-	412,600
Total expenses	6,058,297	-	6,058,297	4,637,407	-	4,637,407
Change in Net Assets	2,405,481	(4,855,141)	(2,449,660)	3,601,886	6,292,112	9,893,998
Net Assets - Beginning of Year	7,837,670	6,312,112	14,149,782	4,235,784	20,000	4,255,784
Net assets - End of Year	<u>\$ 10,243,151</u>	<u>\$ 1,456,971</u>	<u>\$ 11,700,122</u>	<u>\$ 7,837,670</u>	<u>\$ 6,312,112</u>	<u>\$ 14,149,782</u>

See the accompanying notes to these financial statements.

Freedom Reads, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program	Management and General	Fundraising	Total
Salaries	\$ 859,649	\$ 506,499	\$ 203,077	\$ 1,569,225
Benefits	124,874	96,458	22,646	243,978
Payroll taxes	71,039	39,756	17,096	127,891
Library books	926,370	480	233	927,083
Library labor	829,480	-	-	829,480
Library materials	401,275	-	-	401,275
Book circles	101,451	153	-	101,604
Honorarium	100,303	750	-	101,053
Library opening travel	69,423	6,338	2,379	78,140
Library installation	23,869	-	-	23,869
Event travel	52,198	-	4,342	56,540
Printing	44,662	7,398	275	52,335
Professional fees	321,433	185,625	160,832	667,890
Advertising and marketing	9,273	308	-	9,581
Occupancy	184,754	14,278	11,290	210,322
Travel and meetings	37,498	61,417	89,805	188,720
Depreciation expense	96,256	4,351	2,611	103,218
Other expenses	28,160	64,543	5,833	98,536
Fiscal sponsorship	81,250	-	-	81,250
Information technology	42,600	12,000	5,400	60,000
Dues & subscriptions	21,869	23,507	8,754	54,130
Production costs	24,487	4,017	350	28,854
Office supplies	537	10,354	834	11,725
Computer equipment	2,398	6,621	2,344	11,363
Insurance	9,615	523	314	10,452
Miscellaneous	-	3,767	3,885	7,652
Equipment	2,131	-	-	2,131
Total expenses	<u>\$ 4,466,854</u>	<u>\$ 1,049,143</u>	<u>\$ 542,300</u>	<u>\$ 6,058,297</u>

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

	Program	Management and General	Fundraising	Total
Salaries	\$ 570,258	\$ 177,718	\$ 122,858	\$ 870,834
Benefits	67,135	20,765	13,663	101,563
Payroll taxes	45,810	14,297	9,764	69,871
Library books	883,087	965	20,021	904,073
Library labor	810,781	-	-	810,781
Library materials	398,037	71	120	398,228
Book circles	51,298	-	-	51,298
Honorarium	24,650	-	-	24,650
Library opening travel	81,900	537	404	82,841
Library installation	44,467	-	-	44,467
Event travel	19,963	-	683	20,646
Printing	35,544	8,160	15,760	59,464
Professional fees	94,543	398,272	115,560	608,375
Advertising and marketing	31,184	44,059	70,007	145,250
Occupancy	121,904	18,718	8,191	148,813
Travel and meetings	4,516	15,688	23,969	44,173
Depreciation expense	39,943	1,969	1,181	43,093
Other expenses	5,500	4,613	4,585	14,698
Fiscal sponsorship	56,250	-	-	56,250
Information technology	-	37,892	-	37,892
Dues & subscriptions	7,377	20,560	3,351	31,288
Production costs	25,820	-	-	25,820
Office supplies	141	7,012	123	7,276
Computer equipment	50	15,875	-	15,925
Insurance	5,063	275	165	5,503
Miscellaneous	749	3,006	2,195	5,950
Equipment	1,414	6,971	-	8,385
Total expenses	<u>\$ 3,427,384</u>	<u>\$ 797,423</u>	<u>\$ 412,600</u>	<u>\$ 4,637,407</u>

See the accompanying notes to these financial statements.

Freedom Reads, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (2,449,660)	\$ 9,893,998
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	103,217	43,093
Donated securities	(10,400)	(8,842)
Realized and unrealized loss on investments - net	18	1,105
Non-cash portion of rent expense for operating lease	118,672	78,834
Changes in assets and liabilities:		
Decrease (increase) in pledges receivable	4,756,304	(5,913,862)
Increase in other receivable	(1,314)	-
Decrease (increase) in employee receivable	43	(116)
Increase in prepaid expenses	(3,572)	(27,519)
Decrease (increase) in inventory	42,273	(437,078)
Increase in security deposit	(2,850)	(10,000)
Decrease in accounts payable and accrued expenses	(10,687)	(222,864)
Increase in payroll liabilities	87,519	-
Increase in refundable advance	25,000	-
Repayment of operating lease right-of-use liability	<u>(104,870)</u>	<u>(68,719)</u>
Net cash provided by operating activities	<u>2,549,693</u>	<u>3,328,030</u>
Cash flows from investing activities		
Sale of investments	34,781	-
Purchase of investments	(250)	(545)
Purchases of property and equipment	(68,077)	(572,382)
Cost of programmatic documentary	<u>(382,189)</u>	<u>-</u>
Net cash used in investing activities	<u>(415,735)</u>	<u>(572,927)</u>
Net Increase in Cash and Cash Equivalents	2,133,958	2,755,103
Cash and Cash Equivalents at Beginning of Year	<u>7,170,160</u>	<u>4,415,057</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 9,304,118</u></u>	<u><u>\$ 7,170,160</u></u>
Non-cash investing activity		
Donation of securities	<u><u>\$ 10,400</u></u>	<u><u>\$ 8,842</u></u>

See the accompanying notes to these financial statements.

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2024 and 2023

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 2024, certain functional expense amounts reported in the 2023 financial statements were reclassified to conform to current year presentation.

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.

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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.

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Programmatic Documentary

Costs incurred in the production of a documentary to be used for programmatic purposes are recorded at cost and amortized over its estimated useful life of 5 years using the straight-line method.

The Organization evaluates the asset for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No impairment losses were recognized during the years ended December 31, 2024 and 2023.

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*”.

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.

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2024 and 2023

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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.

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.

Freedom Reads, Inc.
Notes to Financial Statements
December 31, 2024 and 2023

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, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 9,304,118	\$ 7,170,160
Investments	-	24,149
Pledges receivable – current	925,000	5,425,000
Other receivable	1,314	-
Employee receivable	73	116
Total current financial assets available for expenditure	<u>10,230,505</u>	<u>12,619,425</u>
Less: amount not available for general expenditure		
Net assets with donor restrictions for specific purpose	(299,413)	(398,250)
Net assets with time restriction and donor restriction	<u>(100,000)</u>	<u>(75,000)</u>
Total amounts not available for general expenditure	<u>(399,413)</u>	<u>(473,250)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 9,831,092</u>	<u>\$12,146,175</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:

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

The Organization did not hold any investments measured at fair value as of December 31, 2024.

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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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 180,565	\$ 33,799
Net realized and unrealized gains on investments	(18)	(1,085)
Investment fees	(81)	(20)
Net investment return	<u>\$ 180,466</u>	<u>\$ 32,694</u>

Note 7 – Pledges Receivable

The following table summarizes pledges receivable as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 925,000	\$ 5,425,000
Receivable in one to five years	250,000	550,000
Total gross grants receivable	1,175,000	5,975,000
Less: discounts to net present value at 7.50% and 8.50%, respectively	(17,442)	(61,138)
Pledges receivable - net	<u>\$ 1,157,558</u>	<u>\$ 5,913,862</u>

Approximately 81% and 96% of pledges receivable was due from three contributors, as of December 31, 2024 and 2023, respectively.

Note 8 – Conditional Pledges Receivable

As of December 31, 2024, the Organization had two conditional pledges receivable totaling \$120,000. The first grant totaled \$100,000 and is contingent upon the Organization providing (1) documentation or confirmation of securing additional funding necessary to fully outfit four libraries, and (2) a timeline and detailed implementation plan for deploying the libraries. These conditions had not been met as of year-end. The Organization received \$25,000 in advance, which is recorded as a refundable advance in the accompanying statement of financial position. The second grant totaled \$20,000 and is contingent upon the Organization working towards (1) more Freedom Libraries being available at Cheshire CI through improved manufacturing capacity, (2) local residents being hired to help connect the Organization with the community, and (3) incarcerated men and youth at Cheshire CI and Manson YI will build community through Freedom Ambassador-led events.

There were no conditional pledges receivable as of December 31, 2023.

Freedom Reads, Inc.
Notes to Financial Statements
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Note 9 – Property and Equipment

The balance in property and equipment was comprised of the following as of December 31, 2024 and 2023:

	2024	2023
Leasehold improvements	\$ 710,846	\$ 710,846
Furniture and equipment	69,968	46,602
Documentary	75,000	-
Website	73,000	31,500
Computers and software	11,892	8,681
Total property and equipment	865,706	797,629
Less: Accumulated depreciation	(146,310)	(43,093)
Property and equipment - net	<u>\$ 719,396</u>	<u>\$ 754,536</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$103,218 and \$43,093 respectively.

Note 10 – Programmatic Documentary

During the year ended December 31, 2024, the Organization began production on a documentary titled “March Forth”, which will be shown in prisons, integrated into Freedom Library installations, and used to facilitate literary programming and reflection among incarcerated individuals, as well as used to engage corrections professionals and policymakers in ways that expand access to programming.

As of December 31, 2024, costs incurred for the production of March Forth totaled \$382,189, which included expenses related to pre-production, filming, and post-production. Amortization of these costs is expected to begin upon the completion of the documentary in 2025.

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 \$1,207,364 and \$1,312,234 as of December 31, 2024 and 2023, 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 \$1,182,364 and \$1,301,036 were recorded as of December 31, 2024 and 2023, respectively.

For the years ended December 31, 2024 and 2023, rent expense under these agreements totaled \$172,661 and \$118,225, respectively.

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Note 11 – Operating Leases (continued)

Future minimum lease commitments under the Organization's operating leases as of December 31, 2024 are as follows:

2025	\$ 153,398
2026	156,814
2027	160,333
2028	163,958
2029	167,691
Thereafter	<u>602,153</u>
Total future minimum lease commitments	\$ 1,404,347
Unamortized discount (3.61%)	<u>(196,983)</u>
Operating lease right-of-use liability	\$ 1,207,364
Less: current portion of operating lease right-of-use liability	<u>(112,101)</u>
Long-term portion of operating lease right-of-use liability	<u><u>\$ 1,095,263</u></u>

Note 12 – Line of Credit

The Organization opened a \$250,000 revolving line of credit agreement with Liberty Bank during the year ended December 31, 2024. Interest is payable at the Wall Street Journal's prime rate, plus 2% (9.50% as of December 31, 2024). Under no circumstances shall the interest rate in effect be less than 4% at any time. The line is secured by a first position UCC lien on all business assets of the Organization. There was no outstanding balance as of December 31, 2024.

Note 13 – Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Pledges receivable – time restricted	\$ 1,057,558	\$ 5,838,862
Pledges receivable – time and purpose restricted	<u>100,000</u>	<u>75,000</u>
Total pledges receivable	1,157,558	5,913,862
Purpose restrictions		
March Forth documentary	250,000	-
Technology and digital tools	49,413	250,000
Program support	-	65,000
Prison libraries	-	36,000
Travel	-	25,000
Sponsorships	-	18,750
Shelves and books	<u>-</u>	<u>3,500</u>
Total net assets with donor restrictions	<u><u>\$ 1,456,971</u></u>	<u><u>\$ 6,312,112</u></u>

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Note 14 – Employee Benefit Plan

Effective January 1, 2024, the Organization established a defined contribution 401(k) profit-sharing plan. Under the terms of the plan, employees may contribute a portion of their compensation, subject to IRS limits. The Organization makes a traditional safe harbor contribution equal to 3% of each eligible employee's compensation. For the year ended December 31, 2024, the Organization's contributions to the plan totaled \$43,928.

Note 15 – Contingencies and Indemnification

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.

The Organization leases space under a non-cancelable operating lease. The Organization has a standard indemnification arrangement under this lease that requires the Organization to indemnify the landlord against losses, liabilities and claims incurred in connection with the premises covered by the Organization's lease, the Organization's use of the premises, property damage or personal injury, and breach of agreement.

Note 16 – 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, 2024 through July 28, 2025, which is the date the financial statements were available to be issued.

On January 20, 2025, the Organization entered into a lease agreement, effective April 1, 2025, for additional space with a 10-year term ending March 31, 2035.

Future minimum lease commitments under this lease are as follows:

2025	\$ 29,250
2026	136,673
2027	148,530
2028	151,816
2029	155,201
Thereafter	874,106
Total future minimum lease commitment	<u>\$ 1,495,576</u>

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.