The Foundation for Economic Education, Inc.

Financial Statements
and Independent Auditor's Report

March 31, 2023

The Foundation for Economic Education, Inc.

Financial Statements
March 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Foundation for Economic Education, Inc.

Opinion

We have audited the accompanying financial statements of The Foundation for Economic Education, Inc. ("the Foundation"), which comprise the statement of financial position as of March 31, 2023; the related statements of activities, functional expenses, and cash flows for the year 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 the Foundation as of March 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Foundation adopted Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases,* and all subsequent ASUs that modified ASC 842. The Foundation has applied the modified retrospective method to adopt this standard during the year ended March 31, 2023, and adjusted the presentation in the financial statements as permitted by ASC 842. Our opinion is not modified with respect to this matter.

Emphasis of Matter (continued)

As discussed in Note 2 to the financial statements, the Foundation adopted Financial Accounting Standards Board issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* Our opinion is not modified with respect to this matter.

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 States 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 the Foundation'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, including omissions, 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 the Foundation'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 the Foundation'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.

Rogers + Company PLLC

Vienna, Virginia
December 26, 2023

The Foundation for Economic Education, Inc.

Statement of Financial Position
March 31, 2023

Assets		
Current assets:		
Cash and cash equivalents	$	834,641
Contributions receivable		238,609
Investments, short-term portion		5,332,444
Inventory		76,081
Prepaid expenses and other current assets		80,646
Right-of-use assets – operating leases, short-term portion		116,897
Total current assets		6,679,318
Non-current assets:		
Property and equipment, net		25,507
Right-of-use assets – operating leases, long-term portion		474,536
Investments, long-term portion		5,063,655
Cryptocurrencies		328,936
Assets held in charitable remainder trust		288,217
Beneficial interest in third-party trusts		29,566
Total non-current assets		6,210,417
Total assets	$	12,889,735
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$	348,338
Lease liabilities – operating leases, short-term portion		80,798
Total current liabilities		429,136
Lease liabilities – operating leases, long-term portion		522,773
Due to other beneficiaries of charitable remainder trust		83,744
Total liabilities		1,035,653
Net Assets		
Without donor restrictions		9,481,996
With donor restrictions		2,372,086
Total net assets		11,854,082
Total liabilities and net assets	$	12,889,735

The Foundation for Economic Education, Inc.

Statement of Activities
For the Year Ended March 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	$ 6,346,438	$ 475,000	$ 6,821,438
In-kind contributions	462,638	-	462,638
Grants and contracts	176,252	-	176,252
Royalties	35,090	-	35,090
Publications	52,533	-	52,533
Investment return	964,995	(121,544)	843,451
Unrealized depreciation on cryptocurrencies	(339,588)	(549,396)	(888,984)
Change in value of split interests	-	(14,161)	(14,161)
Miscellaneous	31,571	-	31,571
Released from restrictions	510,061	(510,061)	-
Total revenue and support	8,239,990	(720,162)	7,519,828
Expenses			
Program services:			
Webinars and seminars	3,374,220	-	3,374,220
Books and publications	1,409,692	-	1,409,692
Online media	1,145,794	-	1,145,794
Total program services	5,929,706	-	5,929,706
Supporting services:			
Management and general	672,832	-	672,832
Fundraising and development	1,294,856	-	1,294,856
Total supporting services	1,967,688	-	1,967,688
Total expenses	7,897,394	-	7,897,394
Change in Net Assets	342,596	(720,162)	(377,566)
Net Assets, beginning of year	9,139,400	3,092,248	12,231,648
Net Assets, end of year	$ 9,481,996	$ 2,372,086	$ 11,854,082

The Foundation for Economic Education, Inc.

Statement of Functional Expenses
For the Year Ended March 31, 2023

	Program Services				Supporting Services			
	Webinars and Seminars	Books and Publications	Online Media	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services	Total Expenses
Salaries	$ 1,661,650	$ 617,042	$ 249,509	$ 2,528,201	$ 196,291	$ 632,437	$ 828,728	$ 3,356,929
Payroll taxes and employee benefits	207,179	80,231	37,773	325,183	22,787	92,418	115,205	440,388
Employee travel	108,212	15,501	1,993	125,706	2,833	125,575	128,408	254,114
Seminar student expense	700,418	86,206	290,942	1,077,566	-	-	-	1,077,566
Professional fees and outside services	111,386	384,984	346,649	843,019	90,594	193,373	283,967	1,126,986
Supplies	108,352	36,178	36,178	180,708	24,299	36,176	60,475	241,183
Telephone	19,687	5,729	5,729	31,145	2,216	5,729	7,945	39,090
Rental expenses	87,505	29,169	29,169	145,843	17,789	28,876	46,665	192,508
Insurance	16,201	5,400	5,400	27,001	3,600	5,402	9,002	36,003
Dues and subscriptions	40,207	13,054	13,054	66,315	9,095	13,054	22,149	88,464
Mailings	-	-	-	-	-	153,966	153,966	153,966
Cost of goods sold	-	93,206	-	93,206	-	-	-	93,206
Depreciation and amortization	12,708	5,981	4,486	23,175	4,338	7,850	12,188	35,363
Human resource, legal, and state registration fees	-	-	-	-	67,883	-	67,883	67,883
Income taxes	-	-	-	-	158,400	-	158,400	158,400
In-kind expenses	300,715	37,011	124,912	462,638	-	-	-	462,638
Bad debt	-	-	-	-	50,000	-	50,000	50,000
Miscellaneous	-	-	-	-	6,516	-	6,516	6,516
Bank charges	-	-	-	-	16,191	-	16,191	16,191
Total Expenses	$ 3,374,220	$ 1,409,692	$ 1,145,794	$ 5,929,706	$ 672,832	$ 1,294,856	$ 1,967,688	$ 7,897,394

See accompanying notes.

The Foundation for Economic Education, Inc.

Statement of Cash Flows
For the Year Ended March 31, 2023

Cash Flows from Operating Activities	
Change in net assets	$ (377,566)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Unrealized gain on investments	(260,852)
Realized gain on investments	(81,398)
Unrealized depreciation on cryptocurrencies	888,984
Donated securities	(60,660)
Donated cryptocurrencies	(1,539)
Depreciation and amortization	35,363
Loss on sale of property and equipment	1,519
Change in value of charitable remainder trust	28,323
Change in value of beneficial interest in third-party trusts	36,289
Change in present-value discount on contributions receivable	11,250
Amortization on right-of-use assets – operating leases	29,137
Change in operating assets and liabilities:	
Decrease (increase) in:	
Taxes receivable	39,454
Contributions receivable	(174,859)
Inventory	93,206
Prepaid expenses and other current assets	37,518
Right-of-use assets – operating leases	(620,570)
(Decrease) increase in:	
Accounts payable and accrued expenses	(282,114)
Deferred revenue	(126,252)
Deferred rent	(23,514)
Lease liabilities – operating leases	603,571
Due to other beneficiaries of charitable remainder trust	(15,447)
Net cash used in operating activities	(220,157)
Cash Flows from Investing Activities	
Purchases of investments	(2,206,418)
Proceeds from sales of investments	2,395,921
Payments in the form of cryptocurrencies	119,222
Net cash provided by investing activities	308,725
Net Increase in Cash and Cash Equivalents	88,568
Cash and Cash Equivalents, beginning of year	746,073
Cash and Cash Equivalents, end of year	$ 834,641

See accompanying notes.

The Foundation for Economic Education, Inc.

Notes to Financial Statements
March 31, 2023

1. Nature of Operations

The Foundation for Economic Education, Inc. ("the Foundation") is a nonprofit foundation incorporated in the State of New York. Its mission is to inspire, educate, and connect young adults with the economic, ethical, and legal principles of a free society. These principles include individual liberty, free-market economics, entrepreneurship, private property, high moral character, and limited government. The Foundation produces nationwide seminars, classroom resources, social media, free online courses, and engaging daily content at FEE.org—all educating on the ideas of a free society.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Foundation's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

Classification of Net Assets

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase.

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions receivable are recorded at net realizable value or at net present value based on projected cash flows, and represent unconditional amounts committed to the Foundation. Contributions receivable due in more than one year are discounted to present value based on management's estimate of the risk of adjusted rate of return. The discount on multi-year receivables at March 31, 2023 was calculated using a rate of 4.5%. Management determines the allowance for doubtful receivables based upon review of outstanding receivables, historical collection information, and existing economic conditions. Management believes that all contributions receivable are collectible at March 31, 2023, and accordingly, no allowance for uncollectible receivables has been established.

Investments

Investments consist of money market funds, common stocks, mutual funds, exchange-traded funds, and a limited partnership. Investments in marketable securities are recorded at fair value based on quoted market prices. Beneficial interest in third-party trusts is recorded at fair value based on unobservable inputs.

Certain limited partnership investments have no readily-determinable market value and are valued at fair value as estimated by the general partners and corporations. Because of inherent uncertainty of valuation, it is reasonably possible that estimated values may differ significantly from the values that would have been used as ready market for the securities existed, and the differences could be material. In addition, certain investments may also have risk associated with concentrations of investments in one geographic region and in certain industries. The limited partnership's ability to liquidate certain of its investments may be inhibited since the issuers may be privately held or the limited partnership may own a relatively large portion of the issuers' equity securities.

Interest and dividends, along with realized and unrealized gains and losses, are reported as a component of investment return in the accompanying statement of activities.

Cryptocurrencies

The Foundation's investment policy does not allow direct purchase of cryptocurrencies, and all holdings of cryptocurrencies have been received from outside donors. The Foundation holds cryptocurrencies for appreciation where required by donor intent, and utilizes the value as a peer-to-peer payment system in the normal course of business operations.

2. Summary of Significant Accounting Policies (continued)

Cryptocurrencies (continued)

The Foundation has the capability to transact in various types of cryptocurrencies, including Bitcoin Cash (BCH), Bitcoin (BTC), Ethereum (ETH), and Dai (DAI). The majority of cryptocurrencies held by the Foundation consist of BCH. BCH trades on all major platforms, and the Foundation considers it to be liquid. The advantage is that larger blocks are processed on the blockchain, allowing for fast transactions times and minimal fees. BTC, ETH, and DAI are all decentralized coins traded on a peer-to-peer network, and rely on the same blockchain technology.

All cryptocurrencies held by the Foundation are reported at fair value as determined by digital asset market exchanges with realized appreciation and depreciation calculated on a trade date basis as the difference between the fair value and donated value of cryptocurrencies transferred. The Foundation recognizes the fair value changes in unrealized appreciation or depreciation on cryptocurrencies in the accompanying statement of activities.

Inventory

The Foundation maintains an inventory of its publications for sale, including books, pamphlets, and magazines to be given away or sold at conferences and seminars. Additionally, inventory consists of logo items and other small branding items. Inventory is stated at the lower of cost or market determined on a first-in, first-out basis. The Foundation periodically reviews inventory for slow-moving or obsolete items and determines if a reserve is necessary. At March 31, 2023, there was no obsolete inventory.

Property and Equipment

Property and equipment acquisitions with a cost greater than $1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which range from three to 39 years. Upon disposal of depreciable assets, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to income. Leasehold improvements are amortized over the term of the lease. Expenditures for repairs and maintenance are expensed as incurred.

2. Summary of Significant Accounting Policies (continued)

Operating Leases

The Foundation determines if an arrangement is a lease at inception. Operating lease is included in the right-of-use ("ROU") assets, which represent the Foundation's right to use an underlying asset for the lease terms, and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Foundation's lease does not provide an implicit rate, the Foundation used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The ROU assets also include any lease payments made and exclude lease incentives. The Foundation's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for lease payments is recognized in a straight-line basis over the lease term.

Split-Interest Agreements

The Foundation receives certain planned gift donations that benefit not only the Foundation, but also another beneficiary designated by the donor. These contributions are termed split-interest agreements that consist of a charitable remainder trust and charitable gift annuities. Irrevocable split-interest agreements are recorded as revenue when the trust agreements are executed. Revenue from the split-interest agreements is based on the present value of the expected cash flows to be received by the Foundation.

Annuity obligations stemming from split-interest gifts are recognized as charitable gift annuities in the accompanying statement of financial position. The initial liabilities resulting from these gifts are measured at fair value using the present value of the future payments to be made to beneficiaries. These liabilities are subsequently remeasured at the present value of future payments to beneficiaries based on changes in life expectancy and other actuarial assumptions.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. The Foundation reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Foundation's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Foundation is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

The Foundation receives certain promises to give, collected over multiple accounting periods, and classifies the portion receivable in future accounting periods as restricted revenue. The Foundation discounts the promises to give using an appropriate discount rate over the contribution period, if material.

Milestone grants are recorded as revenue when grant milestones are achieved. Funds received in advance and not spent are included in deferred revenue in the accompanying statement of financial position at March 31, 2023. Any grant expenses related to work in progress before the milestone is complete are recorded as grants receivable in the accompanying statement of financial position. At March 31, 2023, there was no deferred revenue for the milestone grants.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

In-kind contributions that meet the criteria for recognition are recognized at fair value at the time of donation. Donated services consist of advertising professional services. These donated services are recorded in in-kind contributions in the accompanying statement of activities for the year ended March 31, 2023 in the amount of $462,638.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Foundation satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Foundation expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Foundation combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statement of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Revenue from registrations and tuition related to the summer seminars is recognized at the time the events are held and services are provided, with any amounts received in advance deferred until that time. Amounts received in advance are deferred and recognized when the performance obligations are met.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Advertising and Promotional Expenses

The Foundation expenses advertising and promotional costs as incurred. Advertising and promotional expenses totaled $47,351 for the year ended March 31, 2023.

Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases.* The update requires a lessee to recognize an ROU asset and lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective for the Foundation's fiscal year ended March 31, 2023. The Foundation adopted ASC 842 during the year ended March 31, 2023, and adjusted the presentation in the financial statements as permitted by ASC 842. A modified retrospective transition approach is required for lessees for finance and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* which is intended to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements in presentation and disclosure requirements. Nonprofit entities are required to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. Nonprofit entities are also required to disclose various information related to contributed nonfinancial assets. The Foundation has implemented ASU 2020-07, and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, and the implementation had no impact on previously reported net assets.

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

In 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), *Measurement of Credit Losses on Financial Instruments.* This ASU addresses measurement and reporting of credit losses related to accounts receivable, notes receivable, leases receivable, and held-to-maturity debt securities. The ASU mandates the current expected credit loss (CECL) model, which measures and reports expected losses over the contractual life of an asset. The measurement of expected life credit losses will be based on relevant information, not just past events (including historical experience and current conditions), but also the "reasonable and supportable" forecasts that affect collectability of the reported amount. This guidance is effective for the Foundation beginning in fiscal year 2024. Management is evaluating the potential impact of this update on the Foundation's financial statements.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 26, 2023, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Foundation strives to maintain liquid financial assets sufficient to cover its general expenditures. Management periodically reviews the Foundation's liquid asset needs and adjusts the cash and cash equivalents balances as necessary. Amounts in excess of operating liquidity are invested in various short-term and highly liquid securities.

The Foundation relies entirely on private donations, and accordingly, the Board of Trustees and management recognize the need to maintain substantial cash and fixed income assets necessary to maintain operations through seasonal periods of lower contributions and potential economic downturns. The Board of Trustees' approved policy requires a minimum reserve for operations at the beginning of each fiscal year, equivalent to 25% of the upcoming fiscal year's operating budget, excluding any expenses with dedicated donor funding. The Foundation also requires a reserve controlled by the Board of Trustees set aside for contingencies, which is equal to 20% of the same budget. Both the operational reserve and the contingency reserve are held in ultra short-term bond exchange-traded funds.

3. Liquidity and Availability (continued)

Financial assets that are available for general expenditures within one year of the statement of financial position date comprise the following at March 31, 2023:

Cash held in checking and savings accounts	$	786,879
Contributions receivable – due in one year		125,000
Investments without donor restrictions		5,332,444
Total available for general expenditures	$	6,244,323

4. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Foundation maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Foundation has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Split-Interest Agreements

Assets Held in Charitable Remainder Trust

The Foundation is a trustee for one charitable remainder trust – *Warren Trust.* The fair value of assets held by the trust is reported as an asset. The asset is offset by a liability presented in the accompanying statement of financial position as "due to other beneficiaries of charitable remainder trust."

Beneficial Interest in Third-Party Trusts

The Foundation is a remainderman to certain charitable remainder trusts. Upon the death of the beneficiaries of these remainder trusts, the assets will revert to the Foundation to be used according to the donors' wishes. Assets held in trust by and for the Foundation are valued at either fair value or at the discounted present value of the estimated future receipts from the trusts. Where applicable, estimated future payments are discounted at a risk-free rate of return based on the expected term of the split-interest agreements at the time the agreements are created, ranging from 3% to 6%.

5. Split-Interest Agreements (continued)

Beneficial Interest in Third-Party Trusts (continued)

At March 31, 2023, the Foundation had a beneficial interest in the Krogdahl Trust, which is administered by a third-party trustee. The trust is to be held in perpetuity, and generated returns may be used for purposes without donor restrictions. Total assets of this trust were $29,566 at March 31, 2023.

In addition, the Foundation is the beneficiary of two additional charitable remainder trusts that are held and administered by others on its behalf. The Foundation's right to these trust assets remains conditional, and, therefore, the Foundation's share of trust assets is not recorded in the statement of financial position. When the conditional status is changed such that the Foundation has an unconditional right to these trust assets, the related investments will be recorded in the statement of financial position. There was no distribution from either of these trusts to the Foundation during the year ended March 31, 2023.

6. Investments and Fair Value Measurements

The Foundation follows FASB ASC 820, *Fair Value Measurements and Disclosures,* for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

6. Investments and Fair Value Measurements (continued)

The Foundation used the following methods and significant assumptions to estimate fair value of assets and liabilities:

<u>Investments</u>

Mutual Funds

The Foundation's holdings in publicly traded mutual funds consist principally of debt and equity securities carried at their aggregate market value that is determinable by quoted market prices. Valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

Common Stocks

Common stocks are principally valued at the regular trading session closing price on the exchange or market in which such funds are principally traded, using the market approach. Valuation is based on Level 1 inputs within the hierarchy used in measuring fair value.

Privately Held S-Corp Holding

The privately held S-corp holding consists of an investment in a limited partnership, where the Foundation has a 1.12% ownership at March 31, 2023. Investment in private company stock is determined using techniques consistent with both the market and income approaches, based on the estimates and assumptions in the absence of observable market data. The market approach considers comparable companies, comparable transactions, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers and acquisitions, and the current financial position and operating results. The income approach considers the projected operating performance of the portfolio company. The private valuation of the limited partnership is performed annually by Gordon Brothers, an independent global advisory investment firm. The valuation is then provided to its investors, including the Foundation, which uses the valuation report to adjust the value of its ownership. Valuation is based on Level 3 inputs within the investment hierarchy used in measuring fair value.

6. Investments and Fair Value Measurements (continued)

Charitable Remainder Trusts

Charitable remainder trust assets for which the Foundation is a trustee are invested in a diversified portfolio of common stocks, which are valued at fair value based on quoted market prices of the underlying investments, and are therefore classified within Level 1.

Beneficial Interest in Third-Party Trusts

Level 1 Assets

Charitable trust assets include the fair value of the Foundation's beneficial interest in a third-party trust where the Foundation is not a trustee. The fair value is measured upon quoted market prices of the underlying investments, provided to the Foundation on an interval basis, and are therefore classified within Level 1.

Level 3 Assets

Charitable trust assets also include the fair value of the Foundation's beneficial interest in a third-party trust where the Foundation is not a trustee. The fair value is measured upon the estimated net present value of amounts to be received. Distributions are to be made to the donor's designee (remainder trusts) during the terms of the agreements. At the end of the remainder trust terms, a portion of the remaining trust assets, as defined in the trust agreements, is to be distributed to the Foundation. The expected future cash inflows from the trusts are based on the fair value of the investments, future expected investment returns, and life expectancy of the donor or donor's designee, and have been recorded at present value. The value of these assets is based on unobservable inputs and the Foundation's own assumptions, and are therefore classified within Level 3.

Cryptocurrencies

Cryptocurrencies consist of BCH, BTC, ETH, and DAI, as defined in Note 2. These cryptocurrencies are carried at their fair value and are revalued to their current market at each reporting date. Fair value is determined based on the price quoted on the digital asset market exchange, which is an average of quoted rates from various cryptocurrency exchanges. The Foundation classifies its digital currencies as a Level 1 input, as these digital asset markets are readily available and values are constantly observable in these traded markets.

6. Investments and Fair Value Measurements (continued)

The following table presents the Foundation's fair value hierarchy for assets measured on a recurring basis at March 31, 2023:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money market funds	$ 11,618	$ -	$ -	$ 11,618
Mutual funds	1,697,685	-	-	1,697,685
Exchange-traded funds	4,888,046	-	-	4,888,046
Privately held S-corp holding	-	-	3,798,750	3,798,750
Total investments	6,597,349	-	3,798,750	10,396,099
Assets held in charitable remainder trust:				
Money market funds	2,540	-	-	2,540
Exchange-traded funds	138,308	-	-	138,308
Mutual funds	147,369	-	-	147,369
Total assets held in charitable remainder trust	288,217	-	-	288,217
Beneficial interest in third-party trusts:				
Mutual funds	15,019	-	-	15,019
Exchange-traded funds	14,547	-	-	14,547
Total beneficial interest in third-party trusts	29,566	-	-	29,566
Cryptocurrencies:				
BCH	322,428	-	-	322,428
BTC	3,009	-	-	3,009
ETH	1,605	-	-	1,605
DAI	1,894	-	-	1,894
Total cryptocurrencies	328,936	-	-	328,936
Total assets at fair value	$ 7,244,068	$ -	$ 3,798,750	$ 11,042,818

6. Investments and Fair Value Measurements (continued)

The following table presents the Foundation's fair value hierarchy for liabilities measured on a recurring basis at March 31, 2023:

	Level 1	Level 2	Level 3	Total
Liabilities:				
Charitable remainder trust	$ -	$ -	$ 83,744	$ 83,744
Total liabilities at fair value	$ -	$ -	$ 83,744	$ 83,744

Level 3 Inputs

In cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. Activities for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) were as follows for the year ended March 31, 2023:

	Privately Held S-Corp Holding	Beneficial Interest in Third-Party Trusts	Total
Beginning asset balance	$ 4,028,400	$ 33,498	$ 4,061,898
Proceeds from sale	(1,007,100)	-	(1,007,100)
Distributions	455,200	23,000	478,200
Unrealized gain (loss)	322,250	(56,498)	265,752
Ending asset balance	$ 3,798,750	$ -	$ 3,798,750

	Charitable Gift Annuities	Charitable Remainder Trust	Total
Beginning liability balance	$ -	$ 99,191	$ 99,191
Change in value	-	(15,447)	(15,447)
Ending liability balance	$ -	$ 83,744	$ 83,744

6. Investments and Fair Value Measurements (continued)

Investment return consists of the following for the year ended March 31, 2023:

Interest and dividends	$	501,201
Realized gain on investments		81,398
Unrealized gain on investments		260,852
Total investment return	$	843,451

There were no investment management fees incurred for the year ended March 31, 2023.

7. Contributions Receivable

Contributions receivable are promised as follows at March 31, 2023:

Due in less than one year	$	125,000
Due in one to five years		124,859
Total contributions receivable		249,859
Less: present value discount on multi-year receivables		(11,250)
Contributions receivable, net	$	238,609

8. Property and Equipment

Property and equipment consists of the following at March 31, 2023:

Computer equipment	$	474,761
Software		445,750
Leasehold improvements		34,958
Total property and equipment		955,469
Less: accumulated depreciation and amortization		(929,962)
Property and equipment, net	$	25,507

9. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at March 31, 2023:

Net assets with purpose restrictions:	
Roger Ver Crypto Dedicated Giving	$ 272,389
Hecht Foundation – summer seminars	228,680
Charitable remainder trust	114,276
Maughmer/WSU Project	16,411
Whitman scholarships	33,890
Western Mass. discussion	6,746
Unappropriated endowment earnings:	
Maughmer Bequest	(86,735)
Berkheimer Endowment	(43,545)
Warren Trust	(13,509)
Charlene Barr Chalberg Endowment	(8,405)
Krogdahl Trust	(2,481)
Roger Ver Endowed Bitcoin Cash Fund for Liberty Education	(738,885)
Endowment corpus:	
Maughmer Bequest	1,108,055
Berkheimer Endowment	205,535
Warren Trust	157,617
Charlene Barr Chalberg Endowment	90,000
Krogdahl Trust	32,047
Roger Ver Endowed Bitcoin Cash Fund for Liberty Education	1,000,000
Total net assets with donor restrictions	$ 2,372,086

9. Net Assets With Donor Restrictions (continued)

The *Maughmer Bequest* requires that 20% of net earnings be expended for agreed-upon projects of the Foundation for Economic Education-Maughmer Fund, located at Washington State University. The remaining 80% of net earnings is required to be expended by the Foundation on the education of students in the Mountain and/or Pacific States.

The *Berkheimer Endowment* requires that income generated from the endowment be first added to corpus up to the Consumer Price Index of the fund, and the remaining balance is to be used for unrestricted purposes.

The *Warren Trust* does not restrict the use of income generated and, therefore, can be used for unrestricted purposes. The corpus of the trust was equally divided between the Foundation and another not-for-profit foundation. The funds are held in a separate investment account and the income generated, if any, is distributed in accordance with the trust. The Foundation's share of the corpus is reflected as net assets with donor restrictions, and is reported as an investment in the statement of financial position.

The *Charlene Barr Chalberg Endowment* requires that the income generated from the endowment be used for "Charlene Barr Memorial Scholarships" to support high school students attending the Freedom 101 Program.

The *Krogdahl Trust* does not restrict the use of income generated, and, therefore, can be used for unrestricted purposes.

The *Roger Ver Endowed Bitcoin Cash Fund for Liberty Education* consists of a donor's gift of $1,000,000 in BCH that is required to be maintained in BCH perpetually, serving as the corpus of the endowment. Appreciation is evaluated annually each January, and those earnings are available to spend only in the form of BCH in the subsequent calendar year. Earnings from the fund are to be used for any expenditures supporting the Foundation's mission, and are required to be spent in the form of BCH, as no conversion to fiat is allowed. If the earnings remain unspent in the second fiscal year, the earnings will be added to the corpus amount of the endowment, and may not be carried forward to any future year's disbursements.

10. Endowment

The Foundation's endowment has been funded by donor-restricted contributions to be held in perpetuity, the earnings of which can be used to fund either specific programs or general operations.

10. Endowment (continued)

Interpretation of Relevant Law

The Foundation's Board of Trustees has interpreted New York's Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, the Foundation classifies as net assets with donor restrictions (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. A portion of each donor-restricted endowment fund is appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of the Foundation and the donor-restricted endowment fund; (3) general economic conditions; (4) possible effect of inflation and deflation; (5) expected total return from income and the appreciation or depreciation of investments; (6) other resources of the Foundation; and (7) investment policies of the Foundation.

Return Objectives, Risk Parameters, and Strategies

The Foundation's investment policies are monitored and approved by its Finance and Investment Committee. This committee consists of the Chairman (non-voting member), Treasurer, and two at-large members with financial backgrounds. The Treasurer reviews the investment performance prior to each meeting of the Board of Trustees. The committee meets at least annually to consider investment performance and its standing instruction to internal management. Liquid assets may be held in insured bank accounts and separate brokerage accounts, and invested in low-cost index funds, mutual funds, or exchange-traded funds, which may invest in or reference publicly-traded common and preferred stocks, convertible bonds, and fixed income securities. No other securities are permissible without approval from the committee, and individual holding of equities and debt is not allowable. While the Foundation receives contributions in the form of equity, its policy is to convert the equity investments to approved types of investments (as noted above) as soon as possible.

10. Endowment (continued)

Funds with Deficiencies

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 the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be reported by the Foundation in net assets without donor restrictions. At March 31, 2023, deficiencies of this nature are reflected in the Maughmer Bequest, Berkheimer Endowment, Warren Trust, Charlene Barr Chalberg Endowment, Krogdahl Trust, and Roger Ver Endowed Bitcoin Cash Fund for Liberty Education, and totaled $86,735, $43,545, $13,509, $8,405, $2,481, and $738,885, respectively. These deficiencies were the result of market fluctuations and economic downturn. There were no other deficient funds at March 31, 2023.

Composition of Endowment Net Assets

Endowment net asset composition by type of fund was as follows at March 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds:			
Maughmer Bequest	$ -	$ 1,021,320	$ 1,021,320
Berkheimer Endowment	-	161,990	161,990
Warren Trust	-	144,108	144,108
Charlene Barr Chalberg Endowment	-	81,595	81,595
Krogdahl Trust	-	29,566	29,566
Roger Ver Endowed Bitcoin Cash Fund for Liberty Education	-	261,115	261,115
Total endowment funds	$ -	$ 1,699,694	$ 1,699,694

10. Endowment (continued)

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the year ended March 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	$ -	$ 2,385,168	$ 2,385,168
Investment return:			
Interest and dividends	-	24,620	24,620
Net realized and unrealized loss	-	(160,698)	(160,698)
Total investment return	-	(136,078)	(136,078)
Unrealized depreciation on cryptocurrencies	-	(549,396)	(549,396)
Endowment net assets, ending	$ -	$ 1,699,694	$ 1,699,694

11. Commitments and Contingencies

Operating Leases

On January 5, 2016, the Foundation entered into a lease for office space, which commenced on May 1, 2016 and expired on October 31, 2022. On June 14, 2018, the Foundation entered into an amendment with the landlord of the office to begin leasing additional space under an amended lease agreement. The Foundation expanded into additional space on July 1, 2018, and began leasing a final additional space on September 1, 2019.

11. Commitments and Contingencies (continued)

Operating Leases (continued)

The lease and amendment require fixed monthly payments for the initial 12 months, after an abatement period of six months, and an annual 3% increase in monthly payments for the remainder of the lease term. Under accounting principles generally accepted in the United States of America, all fixed rent increases and lease incentives are recognized on a straight-line basis over the term of the lease.

On October 20, 2022, the Foundation entered into a new office lease agreement which commenced on November 1, 2022 and expires on March 31, 2028. The lease calls for an annual rent increase of 3%, and includes a leasehold improvement allowance amounting to $32,167 and a rental credit of $47,155 against the monthly installments of base rent first coming due under the lease.

The Foundation leases additional office space at a different location under an operating lease agreement that commenced on July 1, 2022 and is scheduled to expire on July 31, 2025. The lease agreement requires monthly rent installments that increase at an annual rate of 3.5%. The lease also provides for rent abatement.

Rent expense under all operating leases for office space was $141,514 for the year ended March 31, 2023.

The Foundation also leases office equipment under an operating lease, which commenced in March 2021 and expires February 2025. The lease requires fixed monthly payments throughout the term of the lease.

Supplemental qualitative information related to the operating leases is as follows:

Operating lease cost	$	34,880
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows	$	22,740
ROU assets obtained in exchange for lease obligations	$	620,570
Weighted-average remaining lease term (in years)		4.96
Weighted-average discount rate		5.06%

11. Commitments and Contingencies (continued)

Operating Leases (continued)

Maturities of the lease liabilities under the Foundation's operating leases are as follows for the years ending March 31:

2024	$	109,645
2025		151,282
2026		131,350
2027		123,973
2028		127,709
Thereafter		43,729
Total minimum lease payments		687,688
Less: discount to present value at 5.06%		(84,117)
Present value of operating lease liabilities	$	603,571

12. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Program expenses represent direct costs that result in the Foundation fulfilling its mission. Fundraising and development expenses represent costs that involve seeking, soliciting, or securing grants and contributions. Management and general expenses represent costs necessary for the operations of the Foundation that are not easily identifiable with specific program or fundraising activities. The Foundation utilizes direct allocation for specific expenses, such as cost of goods sold and professional fees, as these types of expenses can be directly associated with certain functions. The majority of the expenses for the Foundation are allocated using the indirect allocation method. The expenses that are allocated using the indirect method include salaries, payroll taxes, and employee benefits, among other types of expenses, and are allocated on the basis of estimates of time and effort.

13. Retirement Plan

On February 1, 2017, the Foundation began sponsoring a 401(k) plan, which substantially covers all employees meeting certain age and service requirements. All employees are eligible to participate in the 401(k) plan after one year of employment. The Foundation matches 50% of all employee contributions to the 401(k) plan, and the matching contribution has a limit of $4,000. During the year ended March 31, 2023, the Foundation contributed $56,647 for the employee contributions to this plan.

14. Income Taxes

The Foundation is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Foundation holds an investment in an S-Corporation that is considered a pass-through entity under the IRC. Accordingly, the Foundation is liable for any income tax generated from this unrelated business income received from its investment.

During the year ended March 31, 2023, the Foundation recorded income tax expenses on unrelated business activity. Income taxes paid totaled $158,400 for March 31, 2023. Management has evaluated the Foundation’s tax positions and concluded that the Foundation’s financial statements do not include any uncertain tax positions.