

**EDUCATION IS FREEDOM FOUNDATION**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**JULY 31, 2018 AND 2017**

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**EDUCATION IS FREEDOM FOUNDATION**  
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**JULY 31, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of Education Is Freedom Foundation

We have audited the accompanying financial statements of Education Is Freedom Foundation which comprise the statements of financial position as of July 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Education Is Freedom Foundation as of July 31, 2018 and 2017, 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.

A handwritten signature in cursive script that reads "Salmon Sims Thomas".

Salmon Sims Thomas & Associates  
A Professional Limited Liability Company

December 3, 2018

**EDUCATION IS FREEDOM FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
JULY 31, 2018 AND 2017**

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<b>ASSETS</b>		<b>2018</b>	<b>2017</b>
		<u>          </u>	<u>          </u>
<b>Current Assets</b>			
Cash and cash equivalents	\$	624,874	\$ 908,256
Investments		29,472	28,499
Contributions receivable		43,603	301,846
Program service fees receivable		279,639	125,448
Other receivables		3,626	2,292
Prepaid expenses		4,028	9,707
Total Current Assets		<u>985,242</u>	<u>1,376,048</u>
 <b>Property and Equipment</b>			
Property and equipment, net		<u>23,246</u>	<u>29,090</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>1,008,488</u></b>	<b><u>\$ 1,405,138</u></b>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	\$	47,235	\$ 43,231
Accrued payroll and related expenses		168,954	82,065
Total Current Liabilities		<u>216,189</u>	<u>125,296</u>
 <b>Net Assets</b>			
Unrestricted		440,026	835,067
Temporarily restricted		352,273	444,775
Total Net Assets		<u>792,299</u>	<u>1,279,842</u>
<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b><u>1,008,488</u></b>	<b><u>\$ 1,405,138</u></b>

The accompanying notes are an integral part of these financial statements.

**EDUCATION IS FREEDOM FOUNDATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JULY 31, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and Support</b>			
Contributions and grants	\$ 441,614	\$ 163,024	\$ 604,638
Program service fees	1,390,204	-	1,390,204
Special events	32,250	-	32,250
In-kind contributions	139,400	-	139,400
Investment return	1,330	-	1,330
	<u>2,004,798</u>	<u>163,024</u>	<u>2,167,822</u>
Net assets released from restriction	255,526	(255,526)	-
Total Revenues and Support	<u>2,260,324</u>	<u>(92,502)</u>	<u>2,167,822</u>
<b>Expenses</b>			
Program services	2,079,152	-	2,079,152
Management and general	315,988	-	315,988
Fundraising	260,225	-	260,225
Total Expenses	<u>2,655,365</u>	<u>-</u>	<u>2,655,365</u>
Increase (Decrease) in Net Assets	(395,041)	(92,502)	(487,543)
<b>Net Assets, beginning of period</b>	<u>835,067</u>	<u>444,775</u>	<u>1,279,842</u>
<b>Net Assets, end of period</b>	<u>\$ 440,026</u>	<u>\$ 352,273</u>	<u>\$ 792,299</u>

The accompanying notes are an integral part of this financial statement.

**EDUCATION IS FREEDOM FOUNDATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JULY 31, 2017 -- RESTATED**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and Support</b>			
Contributions and grants	\$ 149,052	\$ 644,590	\$ 793,642
Program service fees	1,289,153	-	1,289,153
Special events	72,750	-	72,750
In-kind contributions	66,371	-	66,371
Investment return	2,098	-	2,098
	<u>1,579,424</u>	<u>644,590</u>	<u>2,224,014</u>
Net assets released from restriction	<u>369,152</u>	<u>(369,152)</u>	<u>-</u>
Total Revenues and Support	<u>1,948,576</u>	<u>275,438</u>	<u>2,224,014</u>
<b>Expenses</b>			
Program services	1,856,192	-	1,856,192
Management and general	284,419	-	284,419
Fundraising	236,096	-	236,096
Total Expenses	<u>2,376,707</u>	<u>-</u>	<u>2,376,707</u>
Increase (Decrease) in Net Assets	(428,131)	275,438	(152,693)
<b>Net Assets, beginning of period, as reported</b>	1,236,600	169,337	1,405,937
<b>Prior period adjustment (Note 10)</b>	26,598	-	26,598
<b>Net Assets, beginning of period, restated</b>	<u>1,263,198</u>	<u>169,337</u>	<u>1,432,535</u>
<b>Net Assets, end of period</b>	<u>\$ 835,067</u>	<u>\$ 444,775</u>	<u>\$ 1,279,842</u>

The accompanying notes are an integral part of this financial statement.

**EDUCATION IS FREEDOM FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2018**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 1,308,855	\$ 198,919	\$ 163,816	\$ 1,671,590
Payroll Tax Expenses	126,465	19,220	15,828	161,513
Fringe Benefits	105,303	16,004	13,180	134,487
Contract Labor	17,359	2,638	2,173	22,170
Dues & Subscriptions	9,718	1,477	1,216	12,411
Professional Fees	64,058	9,736	8,017	81,811
Office Supplies	21,615	3,285	2,705	27,605
Computer Technology	5,974	908	748	7,630
Program Materials	12,053	1,832	1,509	15,394
Travel	10,403	1,581	1,302	13,286
Meals and Entertainment	18,505	2,812	2,316	23,633
Occupancy	135,069	20,528	16,905	172,502
Equipment Rental	5,936	902	743	7,581
Scholarships - Local	32,617	4,957	4,082	41,656
Program Events	102,307	15,549	12,805	130,661
Program Development	33,033	5,020	4,134	42,187
Public Relations	16,694	2,537	2,089	21,320
Telecommunications	18,053	2,744	2,259	23,056
Insurance	17,199	2,614	2,153	21,966
Other	5,220	793	653	6,666
Depreciation	7,813	1,187	978	9,978
Workers Compensation	4,903	745	614	6,262
	<u>\$ 2,079,152</u>	<u>\$ 315,988</u>	<u>\$ 260,225</u>	<u>\$ 2,655,365</u>

The accompanying notes are an integral part of this financial statement.



**EDUCATION IS FREEDOM FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2017 -- RESTATED**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,109,451	\$ 170,685	\$ 142,237	\$ 1,422,373
Payroll tax	61,548	9,354	7,703	78,605
Fringe benefits	96,340	14,642	12,058	123,040
Dues and subscriptions	11,273	1,713	1,411	14,397
Professional fees	89,729	13,637	11,231	114,597
Office supplies	26,257	3,991	3,286	33,534
Computer technology	12,035	1,829	1,506	15,370
Program materials	23,512	3,573	2,943	30,028
Travel	15,835	2,407	1,982	20,224
Meals and entertainment	16,410	2,494	2,054	20,958
Occupancy	83,478	12,843	10,702	107,023
Equipment rental	7,118	1,082	891	9,091
Scholarships - local	31,838	4,839	3,985	40,662
Program events	130,611	19,850	16,347	166,808
Program development	36,962	5,618	4,626	47,206
Public relations	21,510	3,269	2,692	27,471
Telecommunications	16,268	2,472	2,036	20,776
Insurance	17,396	2,644	2,177	22,217
Other	31,219	4,803	4,002	40,024
Depreciation	15,893	2,445	2,038	20,376
Worker's compensation	1,509	229	189	1,927
	<u>\$ 1,856,192</u>	<u>\$ 284,419</u>	<u>\$ 236,096</u>	<u>\$ 2,376,707</u>

The accompanying notes are an integral part of this financial statement.

**EDUCATION IS FREEDOM FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JULY 31, 2018 AND 2017**

	<b>2018</b>	<b>Restated 2017</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (487,543)	\$ (152,693)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	9,978	20,376
Reinvested dividends, interest, and capital gain distributions	(2,900)	(1,073)
Unrealized (gain) loss on investments	1,867	(883)
Investment fees	60	55
(Increase) Decrease in assets:		
Contributions receivable	258,243	(105,321)
Program service fees receivable	(154,191)	(125,448)
Other receivables	(1,334)	(2,292)
Prepaid expenses	5,679	5,626
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	4,004	17,463
Accrued payroll and related expenses	86,889	(1,945)
Net Cash Used by Operating Activities	(279,248)	(346,135)
<b>Cash Flows From Investing Activities</b>		
Purchase of fixed assets	(4,134)	(20,193)
Maturity of certificate of deposit	-	100,000
Net Cash Provided (Used) by Investing Activities	(4,134)	79,807
Net Decrease in Cash and Cash Equivalents	(283,382)	(266,328)
<b>Cash and Cash Equivalents, beginning of period</b>	908,256	1,174,584
<b>Cash and Cash Equivalents, end of period</b>	\$ 624,874	\$ 908,256

The accompanying notes are an integral part of these financial statements.

**EDUCATION IS FREEDOM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2018 AND 2017**

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**NOTE 1: ORGANIZATION**

**Nature of Activities and History of the Foundation**

Education Is Freedom Foundation (Foundation) is a nonprofit organization based in Dallas, Texas, that focuses on reducing the high school dropout rates and increasing college readiness among disadvantaged middle and high school students. Founded in April 2002 on the principle that every young person deserves the opportunity to pursue a higher education, the Foundation strives to have a positive impact on the successes of urban youth and their pursuit of higher education by promoting responsibility, academic excellence, self discipline, and good citizenship.

The Foundation originated with a two-tiered program targeted at both the national and local levels. The National Scholarship Program has served in all 50 states through a nationally competitive scholarship program. Locally, the Foundation is a comprehensive school-based program that provides middle and high school students with ongoing college preparation support through tutoring, mentoring, life skill development, and financial assistance. Both the national and local programs are supported through donor contributions, grants, and program service fees.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of the Foundation is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Foundation's management, which is responsible for the fairness and objectivity embodied in the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

**Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting.

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in recording depreciation, valuation allowances for contributions receivable, and functional allocation of expenses. Accordingly, it is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimates.

**Financial Statement Presentation**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

**EDUCATION IS FREEDOM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2018 AND 2017**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial Statement Presentation (Continued)**

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (*i.e.*, the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions of assets other than cash are recorded at their estimated fair value.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Foundation considers all short-term investments with original maturity dates of ninety days or less to be cash equivalents. The Foundation places its cash and cash equivalents, which, at times, may exceed federally insured limits, with high-credit quality institutions. The Foundation has not experienced any losses on such accounts.

**Contributions Receivable**

Contributions are recognized when a donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions.

Contributions receivable are considered past due when payments are not made under the terms of the contribution agreement. There were no past due contributions receivable at July 31, 2018 and 2017 and no provision was made for uncollectible receivables as of those dates. Contributions receivable are considered uncollectible and written off when the donor withdraws the contribution commitment or fails to provide a reasonable revised schedule of contributions.

**Program Service Fees Receivable**

Program service fees are recognized when a contracted service is performed by the Foundation.

Program service fees receivable are considered past due when payments are not made under the terms of the contract. Program service fees receivable are considered uncollectible on a case by case basis.

**Concentrations of Risk**

As of July 31, 2018, 100% of total program service fees receivable were due from one customer. There was no such concentration as of July 31, 2017. As of July 31, 2018 and 2017, 96% of total contributions receivable were due from three donors and 69% were due from one donor, respectively.

For the year ended July 31, 2018, 57% of total contributions were from two donors. There was no such concentration for the year ended July 31, 2017. For the years ended July 31, 2018 and 2017, 96% of total program service fees were due from two customers and 56% were due from one customer, respectively.

**EDUCATION IS FREEDOM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2018 AND 2017**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments, which consist of mutual funds held for sale, are recorded at their fair values. Securities that have been donated are recorded at the fair value as of the date of the gift. Increases or decreases in fair value are recorded as unrealized gains and losses and are reflected on the statement of activities with all realized gains or losses, interest, and dividends, net of fees, under the caption “investment return.”

**Fair Value Measurements**

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at July 31, 2018 and 2017.

*Mutual Funds:* Mutual funds (Level 1): Mutual funds are valued at the closing price reported in an active market in which the mutual fund is traded.

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

**Property and Equipment**

Property and equipment are stated at cost, when purchased, or at fair value as of the date of the gift, when donated. Major expenditures and expenditures which substantially increase useful lives are capitalized. Maintenance, repairs, and replacements, which do not improve or extend the lives of the respective assets, are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed, and any gain or loss is included in operations.

**EDUCATION IS FREEDOM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2018 AND 2017**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment (Continued)**

Depreciation and amortization are calculated using the straight-line method at rates sufficient to capitalize the related costs over the estimated useful lives of the respective assets. Estimated useful lives are as follows:

Computer equipment and software	3 to 5 years
Phone equipment	5 years
Furniture and fixtures	5 years
Vehicles	5 years

**Donated Assets and Services**

Donations of noncash assets are recorded as contributions at their estimated fair value as of the date of donation. Donated services are recognized as contributions in accordance with GAAP, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

For the years ended July 31, 2018 and 2017, the Foundation received contributed goods and services and recognized an estimated value of \$139,400 and \$66,371, respectively. The amounts recognized include estimated values for donated professional services totaling \$5,480 and \$9,121, respectively, and estimated values for donated office space totaling \$133,920 and \$57,250, respectively.

**Compensated Absences**

It is the Foundation's policy to accumulate earned but unused paid time off, of which a portion will be paid to employees upon separation from service. The accompanying financial statements reflect an accrued liability of \$9,408 and \$13,338 for paid time off earned but not taken as of July 31, 2018 and 2017, respectively.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been presented on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services, general and administration, and fundraising based on management's estimates and allocations.

**EDUCATION IS FREEDOM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2018 AND 2017**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. The Foundation has been classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Foundation qualify for deductions as charitable contributions. However, income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under IRC Section 511.

**Accounting for Uncertainty in Income Taxes**

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statements of activities or accrued in the statements of financial position. Federal and state tax returns of the entity are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

**Date of Management's Review**

The Foundation has evaluated subsequent events through December 3, 2018, the date the financial statements were available to be issued.

**Recent Accounting Pronouncements**

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The new standard requires lessees to recognize a right-of-use (ROU) asset and a related lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities and changes in net assets. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statement of financial position. The new standard is effective for private entities for annual periods beginning after December 15, 2019. The Foundation is currently assessing the impact that adoption of ASU 2016-02 will have on its results of operations, but expect that it will not result in a significant increase in the long-term assets given the Foundation does not have a significant number of leases.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as an update to ASC 958, Not-for-Profit Entities. This update makes several improvements to current reporting requirements that address complexities in the use of the currently required three classes of net assets and enhance required disclosures related to donor restrictions of net assets. The updated guidance will result in a change in the classes of net assets reported on the face of the statement of financial position from three classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions).

**EDUCATION IS FREEDOM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2018 AND 2017**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Pronouncements (Continued)**

The update also requires all not-for-profit entities to report expenses by function and by natural classification, either on the face of the financial statements or in the footnotes. Additional qualitative information about the methods used to allocate costs is also required to be disclosed. The update also requires all not-for-profit entities to disclose quantitative information that communicates the availability of the Foundation's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year as well as qualitative information on how the Foundation manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date.

The updated guidance will be effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The new guidance should be applied on a retrospective basis. The Foundation will be adopting this update in the fiscal year ending July 31, 2019. No other material impact is expected.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, as an update to ASC 230, statement of cash flows. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Foundation elected to adopt this new standard early, that is, for the fiscal year ended July 31, 2018, as permitted by the ASU. The new guidance is applied on a retrospective basis. The updated guidance resulted in no changes in the statement of cash flows and no other material impact is expected.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The statement is effective for annual periods beginning after December 15, 2018. The Foundation is in the process of evaluating the potential impact of ASU 2014-09 on its financial statements and it has not yet determined the method by which the Foundation will be adopting this update in the fiscal year ending July 31, 2019.



**EDUCATION IS FREEDOM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2018 AND 2017**

**NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value:

		Fair Value Measurements at July 31, 2018		
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds	\$ 29,472	\$ 29,472	\$ -	\$ -

		Fair Value Measurements at July 31, 2017		
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Mutual funds	\$ 28,499	\$ 28,499	\$ -	\$ -

**NOTE 4: PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of July 31:

	2018	2017
Computer equipment and software	\$ 376,055	\$ 374,522
Phone equipment	25,527	25,527
Vehicle	23,397	23,397
Furniture and fixtures	91,519	88,919
	516,498	512,365
Less accumulated depreciation	(493,252)	(483,275)
	\$ 23,246	\$ 29,090

**EDUCATION IS FREEDOM FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2018 AND 2017**

**NOTE 5: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at July 31:

	<u>2018</u>	<u>2017</u>
College and career counseling	\$ 56,440	\$ 54,270
Purchase of vehicles	250,000	250,000
Purchase of computers/IT Equipment	-	50,000
Time restriction	45,833	90,505
	<u>\$ 352,273</u>	<u>\$ 444,775</u>

**NOTE 6: INVESTMENT RETURN**

Investment return consisted of the following for the years ended July 31:

	<u>2018</u>	<u>2017</u>
Reinvested dividends, interest, and capital gains	\$ 2,900	\$ 1,073
Unrealized gain (loss)	( 1,867 )	883
Bank interest	357	197
Less: investment fees	( 60 )	( 55 )
	<u>\$ 1,330</u>	<u>\$ 2,098</u>

**NOTE 7: NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets released from donor restrictions as expenses were included which simultaneously satisfied the restricted purposes of the funds. Net assets released during the years ended July 31, 2017 and 2016 were as follows:

	<u>2018</u>	<u>2017</u>
College and career counseling	\$ 210,584	\$ 319,152
Time restriction	44,672	50,000
	<u>\$ 255,256</u>	<u>\$ 369,152</u>

**NOTE 8: RETIREMENT PLAN**

The Foundation has available, for all employees, a SEP-IRA retirement plan, which is managed by a third-party entity. Eligible employees can make contributions, subject to certain limitations, on a pretax basis. Further, the Foundation must make a matching contribution to the plan of up to 3% of the employee's salary on an annual basis. The Foundation made a matching contribution for the years ended July 31, 2018 and 2017 totaling \$11,693 and \$19,435, respectively.

**EDUCATION IS FREEDOM FOUNDATION**  
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**NOTE 9: LEASE OBLIGATIONS**

**Operating Leases**

The Foundation leases various office space and equipment under noncancelable operating leases expiring at various dates through 2022. Future minimum lease payments are approximately as follows:

For the years ending July 31,

2019	\$45,662
2020	6,216
2021	6,216
2022	2,072
2023 and thereafter	-

Lease expense for the years ended July 31, 2018 and 2017 totaled approximately \$46,000 and \$46,000, respectively.

**NOTE 10: PRIOR PERIOD ADJUSTMENT**

During the year ended July 31, 2018, management became aware that the Foundation owned an investment account that had historically not been recorded in the accounting records. The investment account has been in existence since before 2008. This discovery led to a restatement to amounts reflected in previously issued financial statements for the year ended July 31, 2017 by increasing beginning unrestricted net assets for the year by \$26,598 and by increasing investment return for the year by \$2,098. These amounts and effects of the discovery are reflected in the accompanying financial statements.