



EDUCATION IS FREEDOM FOUNDATION

ANNUAL FINANCIAL AUDIT REPORT

FOR THE YEAR ENDED JULY 31, 2023

JCONNER PC

www.jconnerpc.com

Independent Auditor's Report

Education is Freedom Foundation
3000 Pegasus Park Drive
Dallas, TX 75247

To the Board of Directors of
Education is Freedom Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Education is Freedom Foundation, which comprise the statement of financial position as of July 31, 2023, and 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 accompanying financial statements present fairly, in all material respects, the financial position of Education is Freedom Foundation as of July 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 (GAAS). 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 Education is Freedom 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.

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 Education is Freedom Foundation's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Education is Freedom 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 Education is Freedom 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.



JConner PC
Haslet, TX
May 24, 2024

EDUCATION IS FREEDOM FOUNDATION
STATEMENT OF FINANCIAL POSITION
July 31, 2023

ASSETS

Current assets:	
Cash and Cash Equivalents	\$ 2,170,012
Accounts Receivable	55,537
Contributions Receivable	51,053
Employee Receivables	8,400
Prepays	5,127
Certificates of Deposit	150,812
Investments	38,197
Deposits	4,584
Total Current Assets	2,483,722
Property and Equipment, Net of \$11,160 of accumulated depreciation	18,793
Right-of-Use Asset, Operating Lease	<u>283,247</u>
Total Assets	<u>\$ 2,785,762</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts Payable	2,081
Accrued Expenses	262,737
Deferred Revenue	100,004
Current Portion - Operating Lease Liability	<u>38,384</u>
Total Current Liabilities	403,206
Operating Lease Liability	<u>256,363</u>
Total Liabilities	<u>\$ 659,569</u>
NET ASSETS	
Without Donor Restrictions	(2,380,003)
With Donor Restrictions	<u>4,506,196</u>
Total Net Assets	<u>2,126,193</u>
Total Liabilities and Net Assets	<u>\$ 2,785,762</u>

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

EDUCATION IS FREEDOM FOUNDATION
STATEMENT OF ACTIVITIES
July 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND GAINS			
Contributions and nongovernment grants	\$ 299,175	\$ -	\$ 299,175
Program service fees	316,389	4,044,713	4,361,102
In-kind contributions	208,896	-	208,896
Scholarships	141,500	-	141,500
Total Revenue and Support	965,960	4,044,713	5,010,673
Investment Interest and Dividend Income	1,130	-	1,130
Other Income	30,468	-	30,468
Total Revenue, Support, and Gains	997,558	4,044,713	5,042,271
 EXPENSES			
Program Services	3,345,433	-	3,345,433
Management and General	690,991	-	690,991
Fundraising	335,650	-	335,650
Total Expenses	4,372,074	-	4,372,074
 CHANGE IN NET ASSETS (DEFICIT)			
	(3,374,516)	4,044,713	670,197
 Net Assets (Deficit) - Beginning of Year	 994,513	 461,483	 1,455,996
 NET ASSETS (DEFICIT) - END OF YEAR	 \$ (2,380,003)	 \$ 4,506,196	 \$ 2,126,193

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

EDUCATION IS FREEDOM FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
July 31, 2023

	High Schools & Middle Schools	Intern Programs	Total Program Services	Management & General	Fundraising	Total
Salaries	\$ 2,104,181	\$ 183,542	\$ 2,287,723	\$ 75,456	\$ 123,750	\$ 2,486,929
Employee Benefits	321,330	26,462	347,792	11,341	18,903	378,036
Payroll Taxes	321,820	26,502	348,322	11,359	18,930	378,611
Contract Labor	52,867	7,675	60,542	439	96,263	157,244
Program Development	52,288	1,694	53,982	-	-	53,982
Advertising and Promotion	-	-	-	-	7,409	7,409
Licenses, Dues, and Subscriptions	2,098	3,156	5,254	24,117	-	29,371
Conferences, Conventions and Meetings	-	-	-	1,841	-	1,841
Rent and Storage	-	-	-	57,590	-	57,590
Facility and Equipment	-	-	-	7,363	-	7,363
Insurance	-	-	-	39,898	-	39,898
Legal and Professional	-	-	-	179,385	-	179,385
Merchant Processing and Bank Fees	-	-	-	840	-	840
Other Expenses	-	-	-	49,858	-	49,858
Information Technology	-	-	-	98,809	-	98,809
Scholarships	-	-	-	-	58,765	58,765
Supplies	-	-	-	93,557	-	93,557
Telephone	-	-	-	13,877	-	13,877
Travel	37,708	1,852	39,560	18,454	638	58,652
In Kind Expenses	177,562	14,623	192,185	6,267	10,445	208,897
Total Expenses by Function before amortization and depreciation	3,069,854	265,506	3,335,360	690,451	335,103	4,360,914
Depreciation	9,292	781	10,073	540	547	11,160
Total Expenses Included in the Expense Section of the Statement of Activities	\$ 3,079,146	\$ 266,287	\$ 3,345,433	\$ 690,991	\$ 335,650	\$ 4,372,074

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

EDUCATION IS FREEDOM FOUNDATION
STATEMENT OF CASH FLOWS
July 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 670,197
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Right-of-Use Asset, Operating	11,500
Depreciation and Amortization	11,160
(Increase) in Receivables	46,578
(Increase) Decrease in Prepaid Expenses	689
Decrease in Deposits	(1,710)
Increase (Decrease) in Accounts Payable	(6,383)
Increase in Accrued Expenses	171,112
Decrease in Deferred Revenue	100,004
Increase in Lease Liability	
Net Cash Provided (Used) by Operating Activities	1,003,147

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Property and Equipment	(7,823)
Proceeds from Maturity of Certificates of Deposit	38,318
Net Cash Provided By Investing Activities	30,495

CASH FLOWS FROM FINANCING ACTIVITIES

Net Cash Provided by Financing Activities	-
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NET INCREASE IN CASH AND CASH EQUIVALENTS

1,033,642

Cash and Cash Equivalents - Beginning of Year

1,136,370

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,170,012

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Noncash Investing and Financing Transactions:	
Amortization of Right-of-Use Asset	\$ 11,500

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

EDUCATION IS FREEDOM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2023

NOTE 1. NATURE OF OPERATIONS

Foundation

Education is Freedom Foundation(The “Foundation”) is a nonprofit foundation incorporated under the laws of the State of Texas and Section 501(c)(3) of the Internal Revenue Code. The Foundation is dedicated to enhancing the quality of life in the community by offering professional Foundation, innovative education, and community outreach. The Foundation's mission is to create an innovative, diverse Foundation that builds community through fostering empathy and dialogue.

Program Services

High Schools and Middle Schools - comprehensive, local, school-based programs and activities designed to improve the college going orientation of students by providing full-time campus based Higher Education Advisors (HEAs) available throughout the school day to assist students with activities related to their future education. In addition to daily interaction with and guidance to students, HEAs facilitate student and parent activities throughout the year, including the annual financial aid workshops, manage The Foundation’s Scholars program, and commemorate the students’ hard work and success at the end of each school year by supporting National Decision Day where students share their college plans with classmates and family and celebrate their decision to continue their education. The Middle School curriculum helps students explore options leading to high school graduation.

Intern Programs – to further The Foundation’s vision of developing a skilled and educated workforce intern programs offer high school students summer jobs and the opportunity to intern at some of the largest and most respected corporations and non-profit foundations. Before beginning the intern program students go through workforce readiness training to prepare them with the skills necessary to be successful in their jobs and internships.

The primary sources of revenue and support are program service fees and contributions. A significant source of program service fees is annually renewable local school districts contracts which provided approximately 61% of total support and revenue for the year ended July 31, 2023.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities, in accordance with current recommendations of the American Institute of Certified Public Accountants for Not-for-Profit Organizations and the Financial Accounting Standards Board (FASB) in the FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the balance sheets and statement of cash flows, The Foundation considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents. At July 31, 2023, management believes that the carrying amount of cash equivalents approximates fair value because of the short maturity of these financial instruments.

EDUCATION IS FREEDOM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions/Promises to Give and Program Service Fees Receivable

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions expected to be received over more than one year are discounted to present value using a discount rate equivalent to treasury yields of similar maturity. Allowances are provided for pledges estimated to be uncollectible.

Program service fees receivable are stated at the amount management expects to collect from outstanding balances. Balances that are delinquent according to contractual terms that are still outstanding after reasonable collection efforts are written off through a charge to bad debt expense. Bad debt expenses have not been material to the financial statements.

Forgivable notes payable are considered to be conditional promises to give and are not discounted. Revenue and support from these agreements will not be recognized until the notes are forgiven in accordance with the lender's terms.

Fixed Assets

The Foundation records property and equipment additions over \$3,000 at cost, or if donated, at fair value on the date of donation.

Major additions and expenditures that substantially increase useful lives of property are capitalized. Maintenance and repairs which do not substantially increase the life of the property are expensed as incurred. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Equipment and software	3 - 5 years
Furniture and fixtures	5 years
Vehicles	5 years

When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended July 31, 2023.

Net Assets (Deficit)

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

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

EDUCATION IS FREEDOM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor) imposed restrictions. These 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. 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.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets (deficit) without donor restrictions and reported in the statements of activities as net assets (deficit) released from restrictions.

Revenue and Revenue Recognition

Contributions and Support

Contributions received are recorded as support with or without donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions, including long-lived assets, are considered to be available for unrestricted use unless specifically restricted by the donor.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor- restricted support is reported as an increase in net assets with donor restrictions. When a restriction is satisfied by incurring expenses for the restricted purpose, expiration of time, or occurrence of other events specified by the donor, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue Recognition for Contracts with Customers

Program service fees, consisting mainly of advising activities for students of local school districts, are recognized as income under Accounting Standards Update (ASC) 2014-09 Revenue from Contracts with Customers Topic 606 when the contracted service are performed by the Foundation. Program service fees are due and normally paid shortly after the services are performed.

At contract inception, once the contract is determined to be within the scope of FASB ASC 606, the Foundation evaluates the performance obligations promised in the contract that are based on services that will be transferred to the customer and determines whether those obligations are both (i) capable of being distinct and (ii) distinct in the context of the contract. Services that meet these criteria are considered distinct performance obligations. If both these criteria are not met, the services are combined into a single performance obligation. The Foundation then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Arrangements that include rights to additional services that are exercisable at a customer's discretion are generally considered options. The Foundation assesses if these options provide a material right to the customer and if so, these options are considered performance obligations. The exercise of a material right is accounted for as a contract modification for accounting purposes.

EDUCATION IS FREEDOM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition for Contracts with Customers (Continued)

The Foundation recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) each performance obligation is satisfied at a point in time or over time, and if over time this is based on the use of an output or input method.

Amounts received prior to revenue recognition are recorded as deferred revenue. Amounts expected to be recognized as revenue within the 12 months following the statement of financial position date are classified as deferred revenue within current liabilities in the accompanying condensed consolidated statements of financial position. Amounts not expected to be recognized as revenue within the 12 months following the statement of financial position date are classified as deferred revenue—noncurrent. Amounts recognized as revenue, but not yet received or invoiced are generally recognized as contract assets in the Other current assets line item in the condensed consolidated statements of financial position. During the year ended July 31, 2023, the Foundation recognized \$4.02 million in revenue that was not included in the deferred revenue balance as of July 31, 2022.

Grants and other funds

Grant and other funds received from third parties in exchange for services or activities not yet performed, as well as refunds due third parties for amounts previously received under such agreements, are recorded as refundable advances in the statement of financial position.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to The Foundation's program services, administration, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP. Contributed goods are recorded at fair value at the date of donation. Donated professional services and donated rent are recorded at the respective fair values of the services or rent received.

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred. The Foundation uses advertising to promote its programs among the communities it serves. During 2023, advertising expense totaled \$7,409.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

The expenses that are allocated include compensation, which is allocated on the basis of estimated time and effort, and professional services, office expenses, occupancy, insurance, information technology, travel and entertainment, depreciation, and other expenses, which are allocated on the basis of estimates of usage by functional category.

EDUCATION IS FREEDOM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Education is Freedom Foundation is organized as a Texas nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an foundation described in Section 501(c)(3), qualifies for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3). The Foundation is annually required to file a Return of Foundation Exempt from Income Tax (Form 990) with the IRS. In addition, The Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose.

The Foundation files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Management's Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by The Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, The Foundation has not experienced losses in any of these accounts.

Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members, individual donors, and foundations supportive of The Foundation's mission.

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*.

The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. The Foundation elected to adopt these ASUs effective August 01, 2022 and utilized all of the available practical expedients. The adoption had a material impact on the Foundation's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

EDUCATION IS FREEDOM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards (Continued)

The accounting for finance leases remained substantially unchanged. Adoption of the standard required the Foundation to restate amounts as of August 01, 2022, resulting in an increase in operating lease ROU assets of \$310,898, an increase in operating lease liabilities of \$273,632, and an increase in other current liabilities of \$37,266.

NOTE 3. LIQUIDITY AND AVAILABILITY

The following table reflects The Foundation's financial assets as of July 31, 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date due to contractual restrictions or internal board designations.

	<u>2023</u>
Cash and Cash Equivalents	\$ 2,170,012
Less Donor Restricted Net Assets	(4,506,196)
Total Financial Assets Available for General Expenditures in the Next 12 Months	<u>\$ (2,336,184)</u>

NOTE 4. FAIR VALUE MEASUREMENTS AND DISCLOSURES

Investments and Investment Return

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 - Unobservable inputs for the asset or liability. In these situations, The Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability.

EDUCATION IS FREEDOM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2023

NOTE 4. FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

Investments and Investment Return (Continued)

The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to The Foundation's assessment of the quality, risk, or liquidity profile of the asset or liability.

The fair value of the mutual funds is based on quoted market prices and is considered to fall within Level 1 of the fair value hierarchy.

The following table presents assets measured at fair value on a recurring basis, at July 31, 2023:

Fair Value Measurements at Report Date Using				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	<u>\$ 38,197</u>	<u>\$ 38,197</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5. FIXED ASSETS

Fixed assets consist of the following as of July 31:

	2023
Autos and Trucks	\$ 38,000
Furniture and Fixtures	91,519
Computer and Office Equipment	65,784
Fixed Assets, total	<u>195,303</u>
Less, Accumulated Depreciation	(176,510)
Fixed Assets, net	<u>\$ 18,793</u>

Depreciation expense was \$11,160 for 2023.

EDUCATION IS FREEDOM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2023

NOTE 6. LEASES AND RENTAL AGREEMENTS

The Foundation leases office space under a long-term office operating lease. Under the lease minimum monthly rental payments of \$3,128 are due through December 2023. After December 2023, the minimum monthly rental payments increase as follows:

Lease Period	Amount
November 2023 – October 2024	\$ 3,222
November 2024 – October 2025	3,319
November 2025 – October 2026	3,418

As of July 31, 2023, the right-of-use (ROU) asset had a balance of \$283,247, as shown in noncurrent assets on the statement of financial position; the lease liability is included in current liabilities (\$38,384) and long-term liabilities (\$256,363). The lease asset and liability were calculated utilizing the risk-free discount rate (5.11%), according to The Foundation's elected policy. There is a five-year option to renew the office lease, which is reasonably certain to be exercised.

Maturities of operating lease liabilities as of July 31, 2023:

Year Ending July 31:	Amount
2024	\$ 38,384
2025	39,535
2026	40,721
2027	44,141
2028	45,859
Thereafter	155,377
Total lease payments	364,017
Less: interest	(69,270)
Present value of lease liabilities	<u>\$ 294,747</u>

Operating lease payments in the table above include approximately \$235,123 related to options to extend lease terms that are reasonably certain to be exercised.

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows for operating leases	\$37,266
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Lease assets obtained in exchange for lease liabilities:

Operating leases:	\$142,190
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Weighted average lease term and discount rate as of July 31, 2023 were as follows:

Weighted average remaining lease term	3.2
Weighted average discount rate	<u>5.11%</u>

EDUCATION IS FREEDOM FOUNDATION
NOTES TO FINANCIAL STATEMENTS
July 31, 2023

NOTE 7. DONATED PROFESSIONAL SERVICES AND MATERIALS

The Foundation records the estimated fair market value of donated goods or facilities at the time of receipt when there is an objective basis available to measure their value. Donated services are recognized as contributions at the estimated fair market value at the time of receipt when there is an objective basis available to measure their value, and the services.

(a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by persons with those skills, and would otherwise need to be purchased by The Foundation.

The total amount of in-kind contributions recognized for the year ended July 31, 2023 consists of \$208,896 donated office space for program services.

A number of unpaid volunteers have made significant contributions of their time to develop The Foundation's programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

The Foundation received donated facilities, professional services, and materials as follows during the years ended July 31, 2023:

	Program Services	Management and General	Fundraising	Total
Rent	\$ 192,184	\$ 6,267	\$ 10,445	\$ 208,896
Total	\$ 192,184	\$ 6,267	\$ 10,445	\$ 208,896

NOTE 8. COMMITMENTS AND CONTINGENCIES

Leases

The Foundation leases office space under noncancelable operating leases expiring through 2027. The office space lease agreement was entered on February 01, 2022.

Retirement Plan

The Foundation has a Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA) covering substantially all employees that provides for employer matching contributions of 100% of the employee's elective deferrals, which may be up to 3% of the employee's compensation.

NOTE 9. CONCENTRATION OF CREDIT RISK ARISING FROM DEPOSITS

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Foundation maintains cash balances in financial institutions where its accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As at July 31, 2023, The Foundation's cash in financial institutions exceeded FDIC insurance by approximately \$1,914,844.

Federal financial assistance

The Foundation has received funding from federal grant and other programs which require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Board deems the contingency remote.

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NOTE 9. CONCENTRATION OF CREDIT RISK ARISING FROM DEPOSITS (CONTINUED)

Revenue

Approximately 73% of The Foundation's revenue is derived from a contract with Dallas Independent School District. The current level of The Foundation's operations and program services may be impacted, or segments discontinued if the contract is not renewed. The Foundation's market is concentrated in the Dallas, Texas, geographical area.

NOTE 10. INSURANCE/ LIABILITY COVERAGE

General Insurance (Liability)

During the year ended July 31, 2023, insurance from The Hartford was renewed under policy number 46 PG 0409192- 22 amounting to \$4,992. The policy was rolled over since October 09, 2009, with prior policy number PG 04091922101. The same policy was renewed for the period October 09, 2022 – October 09, 2023 under policy 46 PG 0409192-22.

The same policy was renewed for the period October 09, 2023 - October 09, 2024, under policy number 46 PG 0409192- 23 amounting \$4,992 and is confirmed in subsequent event verification.

Auto Insurance

During the year ended July 31, 2023, the company vehicle is insured by State Auto Insurance company to claim coverages in case of any accident / injury. The detail of coverage is described in Schedule of Coverage enclosed in auditor's permanent file.

The insurance is paid under policy number 10019640CA amounting to \$2,728 which was renewed for the period March 12, 2023 – March 12, 2024, under policy 10019640CA with an annual premium of \$3,001.

Management Liability

Other than General and Auto insurance, the Foundation also had Data coverage plan i.e., Non-Profit Management Liability Coverage with an annual premium of \$ 2,637 under policy number NDO1567789D for a period October 08, 2021 - October 08, 2023.

The policy was renewed under policy NDO1567789F for the period October 09, 2023 – October 09, 2024, with annual an annual premium of \$3,746.

NOTE 11. RELATED PARTIES

During the year ended July 31, 2023, the Foundation received approximately \$50,000 in board member contributions.

NOTE 12. COMPENSATED ABSCENCES

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Foundation's policy is to recognize these costs when actually paid.

NOTE 13. SUBSEQUENT EVENTS

During March 2024, the foundation experienced a cybersecurity breach that resulted in a casualty and theft loss of approximately \$358,000. The amount of the loss is not covered by the Foundation's insurance. The impact of the loss for the year ending July 31, 2024, will be a write-off to accounts receivable and a reduction in program revenue for approximately \$358,000.

Subsequent events were evaluated through May 24, 2024, which is the date the financial statements were available to be issued.