FREE TO CHOOSE® NETWORK

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022

McGill, Power, Bell & Associates, LLP
Certified Public Accountants • Business & Financial Advisors
90 Years and Still Counting

FREE TO CHOOSE NETWORK, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Free To Choose Network, Inc.
Erie, Pennsylvania

Opinion

We have audited the accompanying consolidated financial statements of Free To Choose Network, Inc. (Organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2022, and the changes in its 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 Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP
Erie, Pennsylvania
May 12, 2023

FINANCIAL STATEMENTS

FREE TO CHOOSE NETWORK, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

		2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	1,860,765
Accounts Receivable		19,160
Inventory		73,894
Prepaid Expenses		30,392
Other Assets		200
TOTAL CURRENT ASSETS		1,984,411
OTHER ASSET - CAPITAF		1,075,000
PROPERTY AND EQUIPMENT, NET		217,410
TOTAL ASSETS	$	3,276,821
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$	68,507
Accrued Expenses		94,626
Deferred Revenue		601,743
TOTAL LIABILITIES		764,876
NET ASSETS		
Without Donor Restrictions		108,544
With Donor Restrictions		2,403,401
TOTAL NET ASSETS		2,511,945
TOTAL LIABILITIES AND NET ASSETS	$	3,276,821

See notes to consolidated financial statements.

FREE TO CHOOSE NETWORK, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

OPERATING ACTIVITIES	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Donations and Contributions	$ 1,961,684	$ 1,606,493	$ 3,568,177
In-Kind Contributions	425,850	-	425,850
Charges for Services	49,120	94,500	143,620
Interest Income	2,904	-	2,904
Miscellaneous	48,801	-	48,801
TOTAL REVENUES	2,488,359	1,700,993	4,189,352
Net Assets Released from Restrictions	2,346,653	(2,346,653)	-
TOTAL REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS	4,835,012	(645,660)	4,189,352
EXPENSES			
Program	3,880,643	-	3,880,643
Management and General	475,916	-	475,916
Fundraising	306,789	-	306,789
TOTAL EXPENSES	4,663,348	-	4,663,348
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	171,664	(645,660)	(473,996)
NON-OPERATING ACTIVITIES			
Change in Value of Capitaf Investment	13,590	-	13,590
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	13,590	-	13,590
CHANGE IN NET ASSETS	185,254	(645,660)	(460,406)
NET ASSETS, BEGINNING OF YEAR	311,471	2,558,048	2,869,519
PRIOR PERIOD ADJUSTMENTS *(Note F)*	(595,914)	491,013	(104,901)
CONSOLIDATION OF CAPITAF PARTNERS, LLC *(Note G)*	207,733	-	207,733
NET ASSETS, END OF YEAR	$ 108,544	$ 2,403,401	$ 2,511,945

See notes to consolidated financial statements.

FREE TO CHOOSE NETWORK, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program	Management and General	Fundraising	Total
Salaries and Wages	$ 620,414	$ 231,024	$ 185,700	$ 1,037,138
Payroll Taxes and Benefits	89,555	51,279	8,425	149,259
Total Salaries and Related Expenses	709,969	282,303	194,125	1,186,397
Consulting	604,074	5,785	40,000	649,859
Legal and Professional	5,328	44,640	-	49,968
Bank Fees and Charges	-	9,969	-	9,969
Dues and Subscriptions	-	6,630	6,515	13,145
Facility Expenses	59,595	-	-	59,595
Amortization and Depreciation	-	20,340	-	20,340
Office Equipment	6,044	375	-	6,419
Rent	36,973	13,205	2,641	52,819
Shipping	17,664	1,766	2,349	21,779
Supplies	25,066	6,756	3,484	35,306
Utilities	19,512	4,309	4,309	28,130
Vehicle Expense	3,604	7,208	7,208	18,020
Travel	141,340	-	38,676	180,016
Internet and Computer Expense	148,702	14,896	-	163,598
Public Relations Services	17,586	-	-	17,586
Advertising	133,335	-	-	133,335
Printing	38	-	7,482	7,520
Production Services - Broadcast	1,883,082	-	-	1,883,082
Post Production Services	14,284	-	-	14,284
Video Expense	11,340	-	-	11,340
Conferences	10,485	-	-	10,485
Cleaning	-	2,146	-	2,146
Insurance	18,620	46,442	-	65,062
Miscellaneous	14,002	9,146	-	23,148
Total Expenses	$ 3,880,643	$ 475,916	$ 306,789	$ 4,663,348

FREE TO CHOOSE NETWORK, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

		2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions, Sales and Other Income	$	4,375,838
Interest Received		2,904
Cash Paid to Suppliers and Employees		(4,642,277)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(263,535)
CASH FLOWS FORM INVESTING ACTIVITIES		
Purchase of Fixed Assets		(195,457)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(195,457)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(458,992)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		2,319,757
CASH AND CASH EQUIVALENTS, END OF YEAR	$	1,860,765
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATIONS		
Change in Net Assets	$	(460,406)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization		20,340
(Gain) Loss on Disposal of Fixed Assets		731
In-Kind Contributions		(425,850)
Change in Value of Capitaf Investment		(13,590)
Decrease (Increase) in		
Accounts Receivable		(6,210)
Inventory		(1,933)
Prepaid Expenses		(30,392)
Increase (Decrease) in		
Accounts Payable		(36,394)
Accrued Expenses		88,426
Deferred Revenue		601,743
Total Adjustments		196,871
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$	(263,535)

See notes to consolidated financial statements.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Free to Choose Network, Inc. ("the Organization") is presented to assist in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Nature of Organization

The Organization is a global media 501(c)(3) nonprofit organization that produces and distributes documentary films for public television and educational videos. Videos are made available at no cost to any educator or may be sold through a variety of venues. The mission of the Organization is to use accessible and entertaining media to build popular support for personal, economic and political freedom to advance human well-being. The Organization achieves this mission via the following operational aspects:

Free to Choose Media – The production arm of the Organization that is responsible for producing documentaries that are distributed through public television broadcast and streaming.

Izzit.org – An educational affiliate of the Organization that offers no-cost educational materials to educators.

Capitaf Partners, LLC – An educational institute used to perpetuate Milton Friedman's legacy by providing a space for practical application of Freidman's ideas on public policy issues. The Organization is the operating manager of Capitaf Partners, LLC and has a majority ownership in the LLC.

Basis of Accounting

Assets, liabilities, revenues, and expenses are recognized on the accrual method of accounting for financial statement presentation purposes.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and Capitaf Partners, LLC. All material intercompany accounts and transactions have been eliminated in consolidation.

Net Assets

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

> Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.
>
> Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restriction to net assets without donor restrictions in the statement of activities.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2022, the Organization's cash accounts exceeded federally insured limits by approximately $1,626,000.

Receivables and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount management expects to collect from outstanding receivables. The Organization considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. All accounts receivable are expected to be collected in less than one year.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation or, if donated, at the approximate fair value at the date of donation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

	Years
Equipment, Furniture and Fixtures	5 - 10 Years
Vehicles	5 Years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended June 30, 2022.

Inventory

Inventories consist of film media, educational materials, and clothing, and are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the time and effort and other methods.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Contributions and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions.

The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, long-lived assets, and services	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, contributions of unconditional gifts to be collected in future years are also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor 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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Contributed Nonfinancial Assets

Contributions of nonfinancial assets consist of contributions of ownership interest in Capitaf Partners, LLC. This interest is valued at fair value at the time of the contribution. During the year ended June 30, 2022, 39.62% interest in Capitaf Partners, LLC was contributed to the Organization from various donors, with a total value of $425,850. The Organization recorded the value of this in-kind donation as Investment in Capitaf Partners, LLC and similarly increased contribution revenue by a like amount.

Revenue Recognition

The Organization has two revenue streams that are accounted for as reciprocal exchange transactions: educational material and Capitaf usage events revenues.

Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

The Organization elected to use the portfolio approach provided (606-10-10-4) to evaluate contracts. As a practical expedient, the portfolio approach may be applied to a portfolio of contracts (or performance obligations) with similar characteristics. The Organization reasonably expects that the effects of applying this guidance to the portfolio would not differ materially from applying the guidance to the individual contracts (or performance obligations) within the portfolio.

The Organization elected the practical expedient (606-10-32-18), which allows the Organization to recognize the promised amount of consideration without adjusting for the time value of money for contracts that have a duration of one year or less.

Educational Material Revenue
The Organization recognizes revenue from the sale of certain educational materials, including short videos. The Organization recognizes revenues as the customer pays and takes possession of the merchandise. Some merchandise is sold with the right of return. If probable customer returns exist at the end of an accounting period the Organization estimates and records in its financial statements a liability for such returns, with offsets revenue. No liability for probable customer returns was considered necessary as of June 30, 2022.

Capitaf Usage Events
The Organization recognizes revenue for events held at the Capitaf facilities. All usage agreements are for durations of less than one year. Revenue is recognized at the point in time when the event takes place as that is when the Organization's sole obligation to perform is satisfied and when the barriers are overcome. Payments for events are generally required to be made when registering for the event. No liability for probable customer returns was considered necessary as of June 30, 2022.

Recently Issued and Adopted Accounting Pronouncement

Accounting for Contributed Nonfinancial Assets

The Financial Accounting Standards Board amended its standards related to the presentation and disclosures for not-for-profit entities for contributed nonfinancial assets. This amendment requires that contributed nonfinancial assets be presented as a separate line item in the statement of activities. The amendment also requires disclosure of the disaggregation of contributed nonfinancial assets by category, certain qualitative information about the utilization or monetization of the assets, a description of any donor-imposed restrictions on contributed nonfinancial assets, and a description of the valuation techniques used to arrive at a fair value measure in accordance with Topic 820, *Fair Value Measurement*.

Recently Issued Accounting Pronouncement

The following accounting pronouncement was recently issued by the FASB:

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statement of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statement of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and non-lease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the impact the standard will have on the financial statements.

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed. Advertising for 2022 amounted to $133,335.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure as of May 12, 2023, the date the financial statements were available to be issued.

NOTE B LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date, because of contractual or donor-imposed restrictions or internal designations.

	2022
Cash and Cash Equivalents	$ 1,860,765
Accounts Receivable	19,160
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 1,879,925

NOTE C PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 consists of:

	2022
Equipment, Furniture and Fixtures	$ 87,925
Assets In Progress	144,494
Vehicles	43,823
	276,242
Less Accumulated Depreciation	(58,832)
	$ 217,410

NOTE D RETIREMENT PLAN

The Organization has a Simple IRA plan covering substantially all employees. The Organization contributes up to 3% of gross pay for each employee that participates. Contributions to this plan were $24,211 for 2022.

NOTE E NET ASSETS AND RESTRICTIONS

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2022 are restricted for the following purposes or periods:

	2022
Subject to Expenditure for Specified Purpose	
Film Production	$ 2,065,361
Capitaf	252,307
Izzit.org	85,733
	$ 2,403,401

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2022
Film Production	$ 1,217,480
Capitaf	60,141
Izzit.org	149,767
Total Net Assets Released from Restriction	$ 1,427,388

NOTE F PRIOR PERIOD ADJUSTMENTS

In 2022, certain 2021 balances have been restated for the correction of errors. Changes in beginning net assets with donor restrictions and without donor restrictions are shown below:

Net Assets Without Donor Restrictions - Prior Year Audited Balance	$ 311,471
Understatement of Net Assets With Donor Restrictions	(491,013)
Understatement of Accrued Expenses	(104,901)
Net Assets Without Donor Restrictionss - Prior Year Restated Balance	$ (284,443)
Net Assets With Donor Restrictions - Prior Year Audited Balance	$ 2,558,048
Understatement of Net Assets With Donor Restrictions	491,013
Net Assets With Donor Restrictionss - Prior Year Restated Balance	$ 3,049,061

NOTE G CAPITAF PARTNERS, LLC

As described in Note A, Capitaf Partners, LLC is an educational institute operated by the Organization. During the year ended June 30, 2022, 39.61% of ownership interest in Capitaf Partners, LLC was contributed to the Organization from other existing Members, bringing the Organization's total ownership percentage to 80.67%, giving the Organization a majority ownership. The contribution of ownership interest is recorded at fair value at the date the contributions were made and totals $425,850. The interest owned by the Organization before the contributions were made have also been adjusted to fair value. This increase in value is calculated as follows:

Value as Previously Reported	$	427,946
Fair Value at Time of Contribution		441,536
Gain on Investment in Capitaf	$	13,590