

**FREEDOM HOUSE, INC.**

---

**FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

## TABLE OF CONTENTS

<b>Description</b>	<b>Pages</b>
Independent Auditors' Report	1 – 2
Balance Sheet	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 18
Independent Auditors' Report on the Supplementary Information	19
Supplementary Information	
Schedule of Expenditures of International Public Agencies	20



STRENGTH IN NUMBERS

ASSURANCE | TAX | ADVISORY

6903 Rockledge Drive  
Suite 300  
Bethesda, MD 20817

301-564-3636

[rubino.com](http://rubino.com)

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Freedom House, Inc.

### Report on Financial Statements

We have audited the accompanying financial statements of Freedom House, Inc. (a nonprofit organization), which comprise the balance sheet as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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.



Member, American Institute of Certified Public Accountants

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Freedom House, Inc. as of June 30, 2020, 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.

### ***Emphasis of Matter***

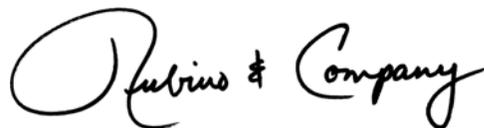
As discussed in Note 2 to the financial statements, Freedom House, Inc. adopted Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received* during the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

### ***Report on the Summarized Comparative Information***

We have previously audited Freedom House, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020, on our consideration of Freedom House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Freedom House, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Rubins & Company". The signature is written in black ink and is positioned above the typed name and date.

Bethesda, MD  
October 29, 2020

**FREEDOM HOUSE, INC.**  
**BALANCE SHEET**  
**June 30, 2020**  
**(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents - headquarters	\$ 4,034,960	\$ 902,016
Cash - overseas	77,009	228,959
	<u>4,111,969</u>	<u>1,130,975</u>
Investments	2,026,245	2,043,663
Due from U.S. Government and international funders	2,980,161	1,510,564
Promises to give, net	1,540,928	1,701,805
Advance to partners	3,013,908	183,176
Prepaid expenses and other assets	343,923	474,827
Property and equipment, net	547,557	136,508
Security deposits	440,441	470,441
	<u>440,441</u>	<u>470,441</u>
Total assets	<u>\$ 15,005,132</u>	<u>\$ 7,651,959</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	\$ 2,126,520	\$ 1,235,105
Grants payable	966,207	1,666,023
Refundable advances -U.S. Government and international funders	5,046,967	111,543
Refundable advances - Paycheck Protection Program	1,489,823	-
Deferred rent	1,006,823	1,079,077
	<u>1,006,823</u>	<u>1,079,077</u>
Total liabilities	10,636,340	4,091,748
Net assets		
Without donor restrictions	(680)	(512,893)
With donor restrictions	4,369,472	4,073,104
	<u>4,369,472</u>	<u>4,073,104</u>
Total net assets	<u>4,368,792</u>	<u>3,560,211</u>
Total liabilities and net assets	<u>\$ 15,005,132</u>	<u>\$ 7,651,959</u>

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

**FREEDOM HOUSE, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2020**  
**(With Comparative Totals for 2019)**

	2020			2019 <u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Support and revenue				
Federal grants	\$ 45,999,197	\$ -	\$ 45,999,197	\$ 45,147,366
International public agencies	651,738	-	651,738	499,980
Corporations and foundations	658,863	1,468,128	2,126,991	1,543,760
Individual contributions	916,433	264,736	1,181,169	868,273
Other income	129,847	-	129,847	1,674
Contribution - Paycheck Protection Program	396,977		396,977	
Net assets released from restrictions	<u>1,397,739</u>	<u>(1,397,739)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>50,150,794</u>	<u>335,125</u>	<u>50,485,919</u>	<u>48,061,053</u>
Expenses				
Program services	48,408,540	-	48,408,540	47,977,836
Supporting services				
Development	1,146,606	-	1,146,606	1,301,227
Unallocated management and general costs	<u>150,084</u>	<u>-</u>	<u>150,084</u>	<u>13,201</u>
Total expenses	<u>49,705,230</u>	<u>-</u>	<u>49,705,230</u>	<u>49,292,264</u>
Change in operating net assets	445,564	335,125	780,689	(1,231,211)
Release of Willkie Endowment earnings	38,757	(38,757)	-	-
Investment income	<u>27,892</u>	<u>-</u>	<u>27,892</u>	<u>80,942</u>
Change in net assets	512,213	296,368	808,581	(1,150,269)
Net assets, beginning of year	<u>(512,893)</u>	<u>4,073,104</u>	<u>3,560,211</u>	<u>4,710,480</u>
Net assets, end of year	<u>\$ (680)</u>	<u>\$ 4,369,472</u>	<u>\$ 4,368,792</u>	<u>\$ 3,560,211</u>

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

**FREEDOM HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2020**  
**(With Comparative Totals for 2019)**

	2020								
	Program Services			Total Program	Supporting Services		Total Supporting Services	Total Expenses	2019 Total
	International Programs	Advocacy	Research & Publications		Development	Management & General			
Personnel and benefits	\$ 8,204,494	\$ 827,339	\$ 1,054,588	\$ 10,086,421	\$ 504,499	\$ 2,603,423	\$ 3,107,922	\$ 13,194,343	\$ 13,674,474
Subgrants	5,411,394	-	-	5,411,394	-	-	-	5,411,394	5,941,044
Consultants	2,676,334	151,519	346,927	3,174,780	217,459	401,516	618,975	3,793,755	4,333,255
Emergency assistance	4,229,468	-	-	4,229,468	-	-	-	4,229,468	4,921,355
Travel and per diem	1,063,347	9,054	97,276	1,169,677	11,936	11,517	23,453	1,193,130	2,230,939
Rent	106,044	-	-	106,044	-	996,995	996,995	1,103,039	1,312,417
Professional fees	76,501	12,500	-	89,001	4,744	606,697	611,441	700,442	766,457
Other direct costs	275,856	(3,561)	155,482	427,777	25,534	170,323	195,857	623,634	909,522
Furniture and equipment	90,199	24,856	955	116,010	5,961	36,736	42,697	158,707	219,753
Conferences, workshops and seminars	149,902	497	14,797	165,196	31,931	5,351	37,282	202,478	563,027
Communications	61,516	1,408	-	62,924	510	97,323	97,833	160,757	147,879
Utilities	24,369	-	-	24,369	-	132,977	132,977	157,346	142,758
Printing and publications	16,078	480	26,448	43,006	1,631	34,106	35,737	78,743	80,970
Supplies	62,758	227	1,679	64,664	236	36,446	36,682	101,346	137,806
Depreciation	-	24,820	3,666	28,486	8,486	17,259	25,745	54,231	15,146
Postage and delivery	2,304	292	-	2,596	1,229	11,034	12,263	14,859	20,525
Staff training	26,276	15	-	26,291	-	3,523	3,523	29,814	18,827
Unallowable	392,811	3,088	126,242	522,141	76,827	150,085	226,912	749,053	161,723
	22,869,651	1,052,534	1,828,060	25,750,245	890,983	5,315,311	6,206,294	31,956,539	35,597,877
Partners expense	17,748,691	-	-	17,748,691	-	-	-	17,748,691	13,694,387
	40,618,342	1,052,534	1,828,060	43,498,936	890,983	5,315,311	6,206,294	49,705,230	49,292,264
Allocation of indirect costs	5,486,703	(1,060,450)	483,351	4,909,604	255,623	(5,165,227)	(4,909,604)	-	-
Total expenses	\$ 46,105,045	\$ (7,916)	\$ 2,311,411	\$ 48,408,540	\$ 1,146,606	\$ 150,084	\$ 1,296,690	\$ 49,705,230	\$ 49,292,264

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

**FREEDOM HOUSE, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2020**  
**(With Comparative Totals for 2019)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Changes in net assets	\$ 808,581	\$ (1,150,269)
Reconciling adjustments:		
Depreciation and amortization	58,816	15,146
Stock donations	(108,066)	(23,465)
Net realized and unrealized loss (gains) on investments	10,726	(14,303)
Deferred rent	(72,254)	(36,038)
Conditional forgiveness of debt (PPP)	(396,977)	-
Changes in operating assets and liabilities		
Cash advances to partners	(2,830,732)	(183,176)
Due from U.S. Government and international funders	(1,469,597)	341,285
Due from Non-USG funders	-	1,527
Promises to give, net	160,877	(206,891)
Prepaid expenses and other assets	130,904	(144,072)
Security deposits	30,000	-
Accounts payable and accrued expenses	891,415	270,263
Grants payable	(699,816)	(27,329)
Payable to partners	-	(719,708)
Refundable advances -U.S. Government and international funders	<u>4,935,424</u>	<u>61,547</u>
Net cash provided (used) by operating activities	<u>1,449,301</u>	<u>(1,815,483)</u>
Cash flows from investing activities		
Additions to fixed assets	(469,865)	(134,959)
Purchases of investments	(35,097)	(50,789)
Proceeds from sales of investments	<u>149,855</u>	<u>1,274,773</u>
Net cash (used) provided by investing activities	<u>(355,107)</u>	<u>1,089,025</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program	<u>1,886,800</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,980,994	(726,458)
Cash and cash equivalents, beginning of year	<u>1,130,975</u>	<u>1,857,433</u>
Cash and cash equivalents, end of year	<u>\$ 4,111,969</u>	<u>\$ 1,130,975</u>

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

**FREEDOM HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**

---

**1. Organization**

Freedom House, Inc. (the Organization) is a nonprofit, non-stock corporation incorporated in the state of New York. The Organization is a non-partisan organization that promotes democracy and human rights throughout the world. Established in 1941 by Eleanor Roosevelt and Wendell Willkie, the Organization was founded to strengthen democratic institutions at home and abroad. The Organization has its headquarters office in Washington, D.C. and research operations in New York City. In addition, it maintains 11 field offices throughout the world depending on the needs of the programs it administers; such offices may be located in the regions of Eastern Europe, Eurasia, Africa, the Middle East, Asia, and Latin America.

**2. Summary of Significant Accounting Policies**

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

**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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

**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 by the passage of time.

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 restrictions to net assets without donor restrictions in the statement of activities.

New Accounting Pronouncement – Adopted

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. The purpose of the ASU is to address long-standing diversity in practice and the difficulties in determining whether grants and similar contracts are exchange transactions or contributions. In addition, the ASU addresses the evaluation of whether a contribution is conditional or unconditional, which affects the timing of revenue recognition. Finally, the ASU addresses the issue of when a contribution is restricted.

**FREEDOM HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**

---

**2. Summary of Significant Accounting Policies (continued)**

New Accounting Pronouncements – Future Periods

In February 2016, the FASB issued guidance requiring a lessee to recognize a right-of-use (“ROU”) assets and lease liability on the balance sheet for most lease contracts (which include those leases that are currently classified as operating leases under the current accounting standard). Additional disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from lease contracts. The standard will be effective for Freedom House, Inc. beginning July 1, 2022.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all investments purchased with a maturity of three months or less to be cash equivalents. All cash and investments, regardless of maturity, held by the investment advisor are considered investments.

Financial Risk

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash.

At various times during the year, the Organization may invest in equity securities of publicly traded companies, certificate of deposit (fixed income) and money market mutual funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

**FREEDOM HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**

---

**2. Summary of Significant Accounting Policies (continued)**

Investments

During the year, investments included equity securities of publicly traded companies, certificates of deposit (fixed income) and money market mutual funds which are reflected at fair market value. To adjust the carrying value of investments, the change in fair market value is included as a component of investment income in the statement of activities.

Promises to Give

Promises to give are carried at the original amount less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and evaluating collectability based on communications with the donor as well as historical experience. Promises to give are written off when deemed uncollectible. There was no provision for doubtful accounts at June 30, 2020. Promises to give to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. The discount on promises to give at June 30, 2020, was \$17,372.

Furniture and Equipment

Furniture and equipment purchases are capitalized at cost and depreciated on a straight-line basis over their estimated lives. The Organization capitalizes all furniture and equipment purchased with a cost of \$5,000 or more.

Valuation of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets by reviewing such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Grants Payable

Grants payable are accrued at the time the subgrant is awarded. A subgrant is generally a grant to an organization abroad that uses the funds to further the Organization's objectives under a grant.

**FREEDOM HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**

---

**2. Summary of Significant Accounting Policies (continued)**

Partner Advances/Payables

The Organization is the lead partner in a Consortium for several grants and works with other partners to perform programmatic activities. The funds provided to these partners are either on an expense reimbursement or advance basis. Cash payments made to partners in excess of expenses incurred are shown as an advance to partners on the balance sheet. Expenses incurred by the partners in excess of cash received are shown as payable to partners on the balance sheet.

Grants

The Organization receives grants from federal agencies and international public agencies for various purposes. Receivables related to grants and contract awards are recorded to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant or contract. The Organization defers grant payments received under approved awards from grantors to the extent they exceed expenses incurred for the purposes specified under the grant conditions. These deferred grants are recorded as refundable advances.

Support and Revenue

Revenue from federal agencies and certain international public agencies is recognized as an increase in net assets without donor restrictions on the basis of direct costs incurred plus allocable indirect costs.

Support from other sources, whether contributions received or promises to give, are recorded as revenue with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted supports are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the 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.

Expense Allocation

Program and supporting services have been presented on a functional basis in the statement of activities. Certain overhead costs have been allocated among programs and support services based on the functions they directly benefit or upon management's estimates of the proportion of expenses applicable to each function.

**FREEDOM HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**

---

**2. Summary of Significant Accounting Policies (continued)**

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Non-operating activities are limited to resources that generate return from other activities considered to be of an unusual or nonrecurring nature.

Income Taxes

The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation.

Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require disclosure. The Organization files tax returns in the U.S. Federal and District of Columbia jurisdictions.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**FREEDOM HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**

---

**2. Summary of Significant Accounting Policies (continued)**

Subsequent Events

Management has evaluated subsequent events through October 29, 2020, the date which the financial statements were available to be issued. On March 11, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a pandemic. As a result, economic uncertainties have arisen which may negatively impact changes in net assets and future operations. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.

**3. Liquidity and Availability**

The following reflects Freedom House's financial assets at June 30, 2020, reduced by amounts not available for general use within one year of the statement of financial position date because of donor purpose, or time-imposed restrictions:

Cash and cash equivalents - headquarters	\$ 4,034,960
Cash - overseas	77,009
Investments	2,026,245
Due from U.S. Government	2,980,161
Promises to give, net	<u>1,540,928</u>
Total financial assets available at June 30, 2020	10,659,303
Less those unavailable for general expenditures, due to:	
Purpose restricted net assets	(3,211,843)
Pledge receivable due in more than one year	<u>(462,628)</u>
Financial asset available at the year-end for current use	<u>\$ 6,984,832</u>

As of June 30, 2020, Freedom House held approximately \$4.1 million in operating funds available to support payroll and operational spending. Currently, nearly 90% of all organizational costs are incurred for the implementation of international programs awarded under U.S. Government grants. To fund these programs, the U.S. Government provides letter-of-credit accounts to be drawn upon when necessary to cover program costs, including the applicable portion of general costs (indirect costs). Typically, several draws on the applicable U.S. Government accounts are executed each month to fund the \$3 to \$3.5 million of average monthly program spending, including partner expenses (pass-through funds).

**FREEDOM HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**

---

**3. Liquidity and Availability (continued)**

In April 2020, the Organization obtained funding of approximately \$1.9 million through the Paycheck Protection Program as established by the CARES Act. The proceeds may be used over a period of 24 weeks to pay payroll, including benefits, rent, and utilities (Note 14).

**4. Investments**

Investments are presented in the financial statements at fair market value. Investments at June 30, 2020, are held in brokerage accounts and are solely comprised of money market mutual funds.

**5. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy are described below:

- Level 1 Quoted market prices in active markets for identical assets or liabilities
- Level 2 Observable market-based inputs or unobservable inputs corroborated by market data
- Level 3 Unobservable inputs not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The following table represents the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ 2,026,245	\$ -	\$ -	\$ 2,026,245

Money market mutual funds included in Level 1 assets are actively traded, and fair market values for identical assets are readily obtainable.

**FREEDOM HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**

---

**5. Fair Value Measurements (continued)**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported as of the end of the reporting period. For the year ended June 30, 2020, there were no significant transfers in or out of levels 1, 2 or 3.

**6. Promises to Give**

Unconditional promises to give expected to be collected more than one year from the date of the promise are discounted to present value using a risk-free rate of return, which is currently the ten-year Treasury Rate, at the time the unconditional promise is received. The discount rate for 2020 was 0.66%.

Unconditional promises to give consist of the following at June 30, 2020:

Less than one year	\$	1,078,300
One to five years		480,000
		1,558,300
Less: Unamortized discount		(17,372)
Promises to give, net	\$	1,540,928

**7. Furniture and Equipment**

Furniture and equipment and accumulated depreciation as of June 30, 2020, and depreciation expense for the years then ended, are as follows:

	Estimated		Accumulated			
	<u>Lives</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Net</u>	<u>Depreciation</u>	
Furniture and fixtures	3 years	\$ 134,233	\$ 42,405	\$ 91,828	\$ 13,261	
Leasehold improvements	3 years	9,383	9,383	-	-	
Software and programming	3 years	515,949	60,220	455,729	45,555	
		\$ 659,565	\$ 112,008	\$ 547,557	\$ 58,816	

**FREEDOM HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**

**8. Net Assets with Time or Donor Restrictions**

Net assets with time or donor restrictions activity for the year ended June 30, 2020, is as follows:

	Balance <u>June 30, 2019</u>	<u>Additions</u>	<u>Released</u>	Balance <u>June 30, 2020</u>
Purpose restricted				
Ahli Bank Jordan	\$ 12,616	\$ -	\$ (12,616)	\$ -
Eurasia Project	-	100,000	(83,453)	16,547
Facebook	-	360,000	(5,758)	354,242
Freedom on Net	99,917	100,000	(1,198)	198,719
Freedom of the Press	-	(1,070)	1,070	-
Freedom in the World	-	325,000	(325,000)	-
Fritt Ord Foundation	-	16,678	-	16,678
Google Net Freedom	22,892	-	(8,584)	14,308
Hearts Digital Platform	88,808	-	(88,808)	-
Hurford Media and Democracy	50,000	-	(50,000)	-
Press Survey	-	109,478	(30,632)	78,846
Public Private Partnership (PPP)	29,433	-	-	29,433
Latin America Senior Fellows	126,047	-	(126,047)	-
Lily Foundation	200,000	-	(54,525)	145,475
Pan American Energy	6	-	(6)	-
Restricted Africa Grant	-	1,750	(1,750)	-
Jyllands-Posten Foundation	14	-	(14)	-
China Media Bulletin	778	-	(778)	-
Government of the Netherlands	45	-	(45)	-
New York Community Trust	87,471	-	(87,471)	-
Microsoft ECIF	-	85,000	-	85,000
Restricted Private Grants	6,042	-	-	6,042
Russia Restricted	36,397	-	(650)	35,747
Transnational Repression	171,794	100,000	(102,027)	169,767
U.S. Index	50,000	-	(321)	49,679
Whitehead Foundation	4,129	-	(4,129)	-
YAHOO	23,758	-	(12,398)	11,360
Willkie memorial trust	-	2,000,000	-	2,000,000
	<u>1,010,147</u>	<u>3,196,836</u>	<u>(995,140)</u>	<u>3,211,843</u>
Time restricted				
Mark Palmer Forum	-	2,600	(2,600)	-
Time restricted pledges (discounted)	1,024,200	533,428	(399,999)	1,157,629
Willkie Memorial				
Endowment earnings	38,757	-	(38,757)	-
	<u>1,062,957</u>	<u>536,028</u>	<u>(441,356)</u>	<u>1,157,629</u>
Restricted in perpetuity	<u>2,000,000</u>	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,073,104</u>	<u>\$ 1,732,864</u>	<u>\$ (1,436,496)</u>	<u>\$ 4,369,472</u>

**FREEDOM HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**

---

**9. Release of Net Assets with Donor Restrictions in Perpetuity**

During 2020, the Attorney General of the State of New York approved the utilization of funds, previously restricted in perpetuity, to be used to support the programs and operations of the Organization's New York office. Therefore, the release of these net assets has been reclassified from donor restricted in perpetuity to purpose restricted, as shown in Note 8.

**10. Operating Leases**

The Organization occupies office space in Washington, D.C. under a non-cancelable operating lease. The lease commenced on December 1, 2014, for a period of 11.5 years. The lease agreement's future minimum rental payments on a straight-line basis produced a deferred rent liability amount of \$1,006,823 at June 30, 2020.

Total future minimum lease payments applicable to the operating lease at June 30, 2020, are approximately as follows:

Year ending June 30, 2021	\$ 1,040,000
2022	1,070,000
2023	1,090,000
2024	1,120,000
2025	1,150,000
2026	<u>1,090,000</u>
Total	<u>\$ 6,560,000</u>

Rent expense applicable to these operating leases for the year ended June 30, 2020, was \$1,110,621.

Freedom House leased office space in New York City for its research operations through April 2020. The organization also leases office spaces in foreign countries, but these leases do not extend for more than one year and the rent expense is not significant to the financial statements.

**11. Pension Plan**

The Organization has a qualified defined contribution plan, which covers all full-time employees. Pension benefits are vested over a two-year period. The Organization makes a matching contribution up to 10% of all participants' salaries, subject to annual federal deferral limits. Pension expense for the year ended June 30, 2020, was \$652,885.

**FREEDOM HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**

---

**12. Major Grantor**

During the year ended June 30, 2020, the Organization was substantially funded by grants from the U.S. Government. Reduction of funding from the U.S. Government would have a significant impact on the operations of the Organization. U.S. Government grants as a percentage of total revenue are summarized as follows:

	<u>Revenue</u>	<u>% of Total Revenue</u>
U.S. Government Grants	<u>\$ 45,999,197</u>	<u>91%</u>

**13. Contingencies**

The Organization participates in a number of federally funded grant programs, which are subject to financial and compliance audits by federal agencies or their representatives. Management does not anticipate any significant adjustments as a result of such audits.

In the normal course of operations, Freedom House is periodically involved in litigation, both in the United States and abroad. The Organization evaluates any contingent liabilities arising from such litigation and, if appropriate, has established loss provisions when such losses are probable and can be reasonably estimated. The Organization believes its loss provisions are adequate and is not currently a party to any litigation that it believes could have a material effect on the Freedom House's financial position, net assets or cash flows.

**14. Paycheck Protection Program**

On April 21, 2020, the Organization received funding of \$1,886,800 through the Paycheck Protection Program (PPP), as established by the CARES Act, which allows qualifying businesses to obtain federal funding for amounts not to exceed two and a half times average monthly payroll expenses.

Under the provisions of the CARES Act, the PPP proceeds must be used for eligible expenses, which includes payroll, benefits, rent and utilities. The eligible expenses may be forgiven if such expenses are incurred during the 24-week period after receipt of the PPP funding and if the Organization maintains its pre-pandemic staffing levels. The Organization has used the proceeds for expenses consistent with the PPP provisions. Management believes that the use of the loan proceeds will meet the conditions for forgiveness.

For amounts received, but not forgiven, the excess proceeds will convert to a note payable, with a maturity date in April 2022 and accruing interest at 1.00% per annum. Under the provisions of the CARES Act, payments are deferred for six months and there are no collateral or guarantee requirements.

**FREEDOM HOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Year Ended June 30, 2020**

---

**14. Paycheck Protection Program (continued)**

For the year ended June 30, 2020, the Organization determined those expenses which are expected to meet the forgiveness conditions for those programs not reimbursed by the Federal government. As of June 30, 2020, such expenses totaled \$396,977 and are excluded from the refundable advances on the statement of financial position and are reflected as a non-cash reconciling item on the statement of cash flows.

**15. Functional Expenses**

The presentation of expenses on the statement of activities and statement of functional expenses is consistent with how the Organization manages its expenses and is primarily based on the Organization's indirect cost rate agreement with the U.S. Government. This presentation does not fully satisfy the functional expense requirements of accounting principles generally accepted in the United States of America (U.S. GAAP). The table below has been added to the financial statements in order to satisfy the requirements of U.S. GAAP:

<u>Functions</u>	<u>As Presented on the Statement of Activities</u>	<u>Adjustments to arrive at U.S. GAAP</u>	<u>Functional Expenses Totals (U.S. GAAP Basis)</u>
Program services			
International Programs	\$ 46,105,045	\$ (4,796,098)	\$ 41,308,947
Advocacy	\$ (7,916)	\$ 1,130,090	\$ 1,122,174
Research & Publications	\$ 2,311,411	\$ (394,582)	\$ 1,916,829
	<u>\$ 48,408,540</u>	<u>\$ (4,060,590)</u>	<u>\$ 44,347,950</u>
Support Services			
Unallocated management and general costs	150,084	(150,084)	-
Management and general Development	-	4,423,831	4,423,831
	<u>1,146,606</u>	<u>(213,157)</u>	<u>933,449</u>
	<u>1,296,690</u>	<u>4,060,590</u>	<u>5,357,280</u>
	<u>\$ 49,705,230</u>	<u>-</u>	<u>\$ 49,705,230</u>



STRENGTH IN NUMBERS

ASSURANCE | TAX | ADVISORY

6903 Rockledge Drive  
Suite 300  
Bethesda, MD 20817

301-564-3636

[rubino.com](http://rubino.com)

## INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors  
Freedom House, Inc.

We have audited the financial statements of Freedom House, Inc. as of and for the year ended June 30, 2020, and have issued our report thereon dated October 29, 2020, which expressed an unmodified opinion on those financial statements, as appears on page 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary Schedule of Expenditures of International Public Agencies is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

October 29, 2020  
Bethesda, Maryland



Member, American Institute of Certified Public Accountants

**FREEDOM HOUSE, INC.**  
**SCHEDULE OF EXPENDITURES OF INTERNATIONAL PUBLIC AGENCIES**  
**Year Ended June 30, 2020**

Funding Source	Contract Number	Program Title	International Agencies Expenditures	Amount Provided to Subrecipients
<b>Canada Department of Foreign Affairs, Trade, and Development</b>				
		Defending Freedom of Expression and Digital Space Around Elections in Moldova	\$ 5,484	\$ -
CID	CFLI-2019-BUSCT-0006		<u>5,484</u>	<u>-</u>
		<b>Total Canadian Intl Development Agency</b>	<u>5,484</u>	<u>-</u>
<b>The Netherlands Ministry of Foreign Affairs (NMFA)</b>				
	4000000800	Mussawat Lil Izdihar (Equality for Prosperity): A Private Sector Approach to Increasing Women's Economic Participation in Jordan	64,487	-
NMFA			<u>582,576</u>	<u>26,604</u>
NMFA	WAS-MRF-2019-03	Protecting Belief Rapid Response Fund	<u>647,063</u>	<u>26,604</u>
		<b>Total Netherlands Ministry of Foreign Affairs</b>	<u>647,063</u>	<u>26,604</u>
Total Expenditures of International Public Agencies			<u>\$ 652,547</u>	<u>\$ 26,604</u>