

ALLIANCE DEFENDING FREEDOM AND AFFILIATES
COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
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YEARS ENDED JUNE 30 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Alliance Defending Freedom
Scottsdale, Arizona

Report on the Financial Statements

We have audited the accompanying combined financial statements of Alliance Defending Freedom and affiliates, which comprise the combined statement of financial position as of June 30, 2015 and 2014, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Alliance Defending Freedom and affiliates as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The selected combining financial information in the schedules attached is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and is not a required part of the combined 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 combined financial statements. The combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements as a whole.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 4, 2015

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,293,402	\$ 14,763,815
Contributions and Other Receivables	445,503	-
Prepaid Expenses	2,615,122	1,763,540
Book Inventory	21,042	23,419
Total Current Assets	8,375,069	16,550,774
NON-CURRENT ASSETS		
Restricted Cash	379,383	378,436
Deposits	358,292	117,231
Cash Surrender Value of Life Insurance	-	24,031
Investments	15,932,332	8,049,411
Campus and Equipment, Net	19,335,217	17,404,614
Total Non-Current Assets	36,005,224	25,973,723
Total Assets	\$ 44,380,293	\$ 42,524,497
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable:		
Trade	\$ 2,477,529	\$ 1,384,804
Accrued Liabilities:		
Salaries and Benefits	1,581,838	1,225,004
Property Taxes	56,097	59,678
Tenant Deposits	9,572	9,572
Total Current Liabilities	4,125,036	2,679,058
DEFERRED RENT		
	398,586	-
Total Liabilities	4,523,622	2,679,058
NET ASSETS		
Unrestricted:		
Undesignated	5,161,076	9,186,292
Designated	12,348,190	11,647,974
Net Investment in Campus and Equipment	19,335,217	17,404,614
	36,844,483	38,238,880
Temporarily Restricted	2,886,067	1,480,438
Permanently Restricted	126,121	126,121
Total Net Assets	39,856,671	39,845,439
Total Liabilities and Net Assets	\$ 44,380,293	\$ 42,524,497

See accompanying Notes to Combined Financial Statements.

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
COMBINED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT				
Contributions	\$ 31,629,244	\$ 14,779,438	\$ -	\$ 46,408,682
Interest Income	166,460	-	-	166,460
Other Income	707,977	-	-	707,977
Court Awarded Fees	1,194,381	-	-	1,194,381
Contributed Services	13,151,566	-	-	13,151,566
Tenant Revenue	303,580	-	-	303,580
Realized and Unrealized Gain (Loss) on Investments, Net	(64,765)	(4,341)	-	(69,106)
Loss on Disposal of Equipment	943	-	-	943
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	13,369,468	(13,369,468)	-	-
Total Revenues and Other Support	<u>60,458,854</u>	<u>1,405,629</u>	-	<u>61,864,483</u>
EXPENSES				
Program Services:				
Grants	3,080,935	-	-	3,080,935
Direct Litigation	25,354,391	-	-	25,354,391
Allied Support and Training	9,594,631	-	-	9,594,631
Public Education	13,400,261	-	-	13,400,261
Total Program Services	<u>51,430,218</u>	-	-	<u>51,430,218</u>
Supporting Activities:				
General and Administrative:				
Company Administration	4,021,701	-	-	4,021,701
Tenants Property Management	208,526	-	-	208,526
Total General and Administrative	<u>4,230,227</u>	-	-	<u>4,230,227</u>
Fund Raising	6,192,806	-	-	6,192,806
Total Supporting Activities	<u>10,423,033</u>	-	-	<u>10,423,033</u>
Total Expenses	<u>61,853,251</u>	-	-	<u>61,853,251</u>
CHANGE IN NET ASSETS	(1,394,397)	1,405,629	-	11,232
Net Assets - Beginning of Year	<u>38,238,880</u>	<u>1,480,438</u>	<u>126,121</u>	<u>39,845,439</u>
NET ASSETS - END OF YEAR	<u><u>\$ 36,844,483</u></u>	<u><u>\$ 2,886,067</u></u>	<u><u>\$ 126,121</u></u>	<u><u>\$ 39,856,671</u></u>

See accompanying Notes to Combined Financial Statements.

2014

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 27,988,599	\$ 14,429,432	\$ 126,121	\$ 42,544,152
104,491	-	-	104,491
762,080	-	-	762,080
574,538	-	-	574,538
10,047,735	-	-	10,047,735
278,281	-	-	278,281
163,995	71,477	-	235,472
(14,182)	-	-	(14,182)
<u>13,770,047</u>	<u>(13,770,047)</u>	<u>-</u>	<u>-</u>
<u>53,675,584</u>	<u>730,862</u>	<u>126,121</u>	<u>54,532,567</u>
2,543,542	-	-	2,543,542
21,033,331	-	-	21,033,331
8,439,371	-	-	8,439,371
11,686,102	-	-	11,686,102
<u>43,702,346</u>	<u>-</u>	<u>-</u>	<u>43,702,346</u>
3,383,345	-	-	3,383,345
244,168	-	-	244,168
<u>3,627,513</u>	<u>-</u>	<u>-</u>	<u>3,627,513</u>
<u>4,809,389</u>	<u>-</u>	<u>-</u>	<u>4,809,389</u>
<u>8,436,902</u>	<u>-</u>	<u>-</u>	<u>8,436,902</u>
<u>52,139,248</u>	<u>-</u>	<u>-</u>	<u>52,139,248</u>
1,536,336	730,862	126,121	2,393,319
<u>36,702,544</u>	<u>749,576</u>	<u>-</u>	<u>37,452,120</u>
<u><u>\$ 38,238,880</u></u>	<u><u>\$ 1,480,438</u></u>	<u><u>\$ 126,121</u></u>	<u><u>\$ 39,845,439</u></u>

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015**

	Program Services				Supporting Activities				Total
	Grants and Funding	Direct Litigation	Allied Support and Training	Public Education	Total Program Services	General and Administrative	Fund Raising	Total Supporting Activities	
Salaries and Related Benefits	\$ 662,139	\$ 8,659,286	\$ 3,383,692	\$ 4,713,376	\$ 17,418,493	\$ 2,233,764	\$ 2,982,883	\$ 5,216,647	\$ 22,635,140
Contributed Services	75,405	13,072,130	-	-	13,147,535	-	-	-	13,147,535
Occupancy	47,946	683,726	241,908	300,078	1,273,658	203,406	253,426	456,832	1,730,490
Insurance	12,567	59,016	25,792	14,797	112,172	16,596	24,855	41,451	153,623
Communications	7,220	110,274	43,756	53,781	215,031	32,990	47,525	80,515	295,546
Shipping and Postage	2,393	45,946	36,791	1,470,777	1,555,907	72,897	167,806	240,703	1,796,610
Office Supplies	4,121	67,929	28,928	22,614	123,592	16,589	22,270	38,859	162,451
Equipment	14,681	217,852	88,936	118,468	439,937	111,291	117,201	228,492	668,429
Financial Services	559	7,817	1,272	8,173	17,821	241,390	40,710	282,100	299,921
Travel	70,943	877,021	2,402,109	457,167	3,807,240	197,631	424,839	622,470	4,429,710
Educational Seminars	38,964	268,686	1,321,357	257,843	1,886,850	73,063	322,504	395,567	2,282,417
Professional Services	38,464	420,508	450,251	134,318	1,043,541	202,002	248,366	450,368	1,493,909
Radio/Television	6,664	93,317	274,161	453,683	827,825	35,416	109,111	144,527	972,352
Grant Disbursement	2,015,939	-	-	27,073	2,043,012	-	153,411	153,411	2,196,423
Blackstone Scholarships	-	-	988,295	-	988,295	-	-	-	988,295
Direct Mail	29,560	73,898	44,396	2,687,255	2,835,109	109,925	508,918	618,843	3,453,952
Depreciation	38,182	576,607	205,696	252,146	1,072,631	340,197	240,436	580,633	1,653,264
Public Education Material	15,188	120,378	57,291	2,428,712	2,621,569	134,544	528,545	663,089	3,284,658
Tenants Property Management	-	-	-	-	-	208,526	-	208,526	208,526
Total Expenses	\$ 3,080,935	\$ 25,354,391	\$ 9,594,631	\$ 13,400,261	\$ 51,430,218	\$ 4,230,227	\$ 6,192,806	\$ 10,423,033	\$ 61,853,251

See accompanying Notes to Combined Financial Statements.

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014**

	Program Services				Supporting Activities				Total
	Grants and Funding	Direct Litigation	Allied Support and Training	Public Education	Total Program Services	General and Administrative	Fund Raising	Total Supporting Activities	
Salaries and Related Benefits	\$ 545,733	\$ 8,262,151	\$ 3,360,189	\$ 3,552,950	\$ 15,721,023	\$ 2,072,837	\$ 2,342,082	\$ 4,414,919	\$ 20,135,942
Contributed Services	70,923	9,969,812	-	-	10,040,735	-	-	-	10,040,735
Occupancy	26,745	377,517	123,414	166,625	694,301	102,776	129,863	232,639	926,940
Insurance	10,658	56,639	21,618	12,601	101,516	15,853	24,024	39,877	141,393
Communications	7,335	114,364	38,515	53,082	213,296	33,282	46,854	80,136	293,432
Shipping and Postage	2,439	45,400	23,226	1,197,562	1,268,627	72,881	170,589	243,470	1,512,097
Office Supplies	2,009	45,441	20,360	15,752	83,562	10,779	15,661	26,440	110,002
Equipment	15,627	235,589	86,228	115,621	453,065	109,104	129,196	238,300	691,365
Financial Services	128	2,141	793	31,109	34,171	184,489	65	184,554	218,725
Travel	54,454	625,389	1,791,707	622,620	3,094,170	113,058	453,736	566,794	3,660,964
Educational Seminars	21,057	165,642	1,228,212	364,751	1,779,662	45,596	230,464	276,060	2,055,722
Professional Services	26,143	320,051	324,737	96,902	767,833	159,859	155,527	315,386	1,083,219
Radio/Television	6,814	87,929	208,744	308,203	611,690	33,603	69,523	103,126	714,816
Grant Disbursement	1,707,221	-	-	-	1,707,221	-	-	-	1,707,221
Blackstone Scholarships	-	-	979,524	10,000	989,524	-	-	-	989,524
Direct Mail	8,276	79,012	15,587	2,723,314	2,826,189	145,814	451,481	597,295	3,423,484
Depreciation	36,401	546,869	170,358	231,551	985,179	178,437	223,355	401,792	1,386,971
Public Education Material	1,579	99,385	46,159	2,183,459	2,330,582	104,977	366,969	471,946	2,802,528
Tenants Property Management	-	-	-	-	-	244,168	-	244,168	244,168
Total Expenses	\$ 2,543,542	\$ 21,033,331	\$ 8,439,371	\$ 11,686,102	\$ 43,702,346	\$ 3,627,513	\$ 4,809,389	\$ 8,436,902	\$ 52,139,248

See accompanying Notes to Combined Financial Statements.

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 11,232	\$ 2,393,319
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation	1,653,264	1,386,971
Loss on Disposal of Equipment	(943)	14,182
Realized and Unrealized (Gain) Loss on Investments, Net	69,106	(235,472)
Non-Cash Donations of Investment Securities	-	(903,219)
(Increase) Decrease in Assets:		
Other Receivable	(445,503)	12,250
Prepaid Expenses	(851,582)	(325,143)
Book Inventory	2,377	(1,841)
Cash Surrender Value - Life Insurance	24,031	372
Deposits	(241,061)	(1,104)
Deferred Rent	398,586	-
Increase (Decrease) in Liabilities:		
Accounts Payable	1,092,725	(112,777)
Accrued Payroll	356,834	206,955
Accrued Property Taxes	(3,581)	(9,944)
Net Increase in Cash and Cash Equivalents	2,065,485	2,424,549
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(25,123,047)	(14,582,789)
Proceeds from Sales of Investments	17,171,020	14,670,841
Campus and Equipment Acquisitions	(3,594,510)	(1,359,648)
Proceeds on Sale of Equipment	11,586	-
Net Cash and Cash Equivalents Used by Investing Activities	(11,534,951)	(1,271,596)
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted Cash	(947)	(1,512)
Net Cash and Cash Equivalents Used by Financing Activities	(947)	(1,512)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,470,413)	1,151,441
Cash and Cash Equivalents - Beginning of Year	14,763,815	13,612,374
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,293,402	\$ 14,763,815

See accompanying Notes to Combined Financial Statements.

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Alliance Defending Freedom (the Company or ADF) was formed in March 1993 under the laws of the Commonwealth of Virginia. The purpose of the Company is to defend the right to hear and speak the truth through strategy, training, funding and litigation. The Company exists to keep the doors open for the Gospel by advocating for religious liberty, the sanctity of life, and marriage and the family.

Principles of Combination

These combined financial statements include the activities of Alliance Defending Freedom, ADF Foundation, 15100, LLC, 15100 Solar, LLC, ADF Vienna, Alliance Defending Freedom India Trust, ADF Mexico, ADF Brussels (Belgium), ADF Geneva, and ADF Strasbourg (France). ADF Foundation was incorporated in 2005. 15100, LLC was organized in 2007 to own and operate a commercial real estate property for the benefit of Alliance Defending Freedom. 15100 Solar, LLC was organized in 2012 to own and operate a solar energy project in connection with 15100, LLC. All material intercompany accounts and transactions have been eliminated in the combination.

Financial Statement Presentation

Net assets and revenues, gains and losses are classified based on state and donor imposed restrictions. Accordingly, net assets of the Company and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

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

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use all or part of the income earned on related investments for general or specific purposes.

Use of Donor Gifts

Unrestricted contributions from the general public are primarily used to fund case grants, legal projects and program costs.

The Company's mission includes raising and using funds to support legal battles for religious freedom, sanctity of life, and marriage and the family.

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Awarding of Case Grants

A significant portion of program service spending goes to case grants. Following a detailed application process, grant applications are reviewed for approval by the Grants and Review Council. Grant disbursements include costs to research and litigate selected legal cases. Once awarded, disbursements are made after satisfactory completion of the terms of the grant.

The Grants and Review Council is composed of volunteer attorneys with expertise in various fields of law. The council meets throughout the year to review grant applications and to plan legal strategy. For the years ended June 30, 2015 and 2014, this committee's contributed skilled services were valued at approximately \$75,000 and \$71,000, respectively, and these amounts are included in contributed services revenue.

Once a grant is awarded, funds are retained until proof of completion of work or expenditures authorized are received from the grant recipient. Grant disbursements are recorded as an expense when paid.

Direct Litigation Contributed Services

Through its ADF Academy and Blackstone Fellowship, the Company continues to build an alliance of volunteer attorneys and future attorneys who can work within America's legal system to protect life, from conception to death; preserve marriage and the family as God ordained it; and protect and defend the ability to publicly live and express one's faith. For the years ended June 30, 2015 and 2014, approximately \$13,150,000 and \$10,050,000, respectively, of contributed services have been recorded as revenue.

Donated Assets and Other Services

Donated assets and other services are recorded at the lower of estimated fair value at date of receipt or current market. For the years ended June 30, 2015 and 2014, there were no donated assets recorded. Other contributed services were \$4,031 and \$7,001 for the years ended June 30, 2015 and 2014, respectively.

Temporarily Restricted Contributions

The Company reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

The Company reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Company reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of combined financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make a number of estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

Alliance Defending Freedom and ADF Foundation are classified as public charities and are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and Section 43 of the Arizona Revised Statutes. ADF Vienna, Alliance Defending Freedom India Trust, ADF Mexico, ADF Brussels (Belgium), ADF Geneva, and ADF Strasbourg (France) are subject to appropriate tax filings in their jurisdiction. Contributions to Alliance Defending Freedom and ADF Foundation are tax deductible within the limitations described by the Code. 15100, LLC is a single member LLC whose member is Alliance Defending Freedom. 15100, LLC is treated as a disregarded entity of Alliance Defending Freedom for tax purposes. 15100 Solar, LLC is a limited partnership taxed as a corporation and its sole partner is 15100, LLC.

The Company follows the income tax standard for uncertain tax positions. The Company recognized no liability for uncertain tax positions.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments purchased with an original maturity of three months or less.

Contributions and Other Receivables

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value when the promise is received. Unconditional promises to give that are expected to be collected in future years are recorded at present value of estimated future cash flows. Contributions receivable at June 30, 2015 are due within one year.

Investments

The Company reports investments in accordance with generally accepted accounting standards. Under these standards, the Company reports investments in equity securities that have readily determinable fair values and all investments in debt securities at fair value. The fair values of investments are based on quoted market prices.

ALLIANCE DEFENDING FREEDOM AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Campus and Equipment

Campus and equipment are stated at cost. The cost of maintenance and repairs is expensed as incurred; significant acquisitions and improvements costing more than \$1,000 and with a useful life of more than one year are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvements	10 – 39 Years
Furniture and Equipment	3 – 10 Years

Fair Value Measurements

The Company categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at June 30, 2015 and 2014.

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

Advertising costs are charged to expense as they are incurred. The Company incurred advertising expenses \$342,964 and \$500,468, for the years ended June 30, 2015 and 2014 respectively.

Concentrations of Credit Risk

The Company, in the normal course of business maintains bank and investments balances in excess of FDIC and SIPC insurance limits. The Company regularly remits payments to vendors in such amounts that require bank balances in excess of the FDIC and SIPC insurance limits. Management does not anticipate nonperformance by the financial institutions.

Reclassification

Certain items in the prior year combined financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on total assets or changes in net assets as previously reported.

Subsequent Events

In preparing these combined financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through December 4, 2015, the date the combined financial statements were available to be issued.

NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS

Total cash and cash equivalents and investments were as follows at June 30, 2015 and 2014:

	2015	2014
Cash and Cash Equivalents	\$ 5,293,402	\$ 14,763,815
Investments	15,932,332	8,049,411
Total	<u>\$ 21,225,734</u>	<u>\$ 22,813,226</u>

NOTE 3 RESTRICTED CASH

Restricted cash consists of amounts in a Rabbi Trust established for the benefit of the Company's Chief Executive Officer. Contributions to the Rabbi Trust during the years ended June 30, 2015 and 2014 were \$-0- and \$1,512, respectively.

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 4 INVESTMENTS

The investment portfolio consists of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Certificates of Deposit	\$ 11,464,734	\$ 4,554,205
Equity Securities	2,611,486	1,604,804
Mutual Funds	1,577,467	1,633,958
Real Estate Funds	278,045	239,784
Exchange Traded Funds - Equities	600	16,660
Total Investments	<u>\$ 15,932,332</u>	<u>\$ 8,049,411</u>

NOTE 5 LIFE INSURANCE POLICY

The Company is the beneficiary of a life insurance policy with a face value of \$25,000, and a cash surrender value of \$-0- and \$24,031 as of June 30, 2015 and 2014, respectively.

NOTE 6 CAMPUS AND EQUIPMENT

Campus and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 2,000,000	\$ 2,000,000
Building and Improvements	16,810,972	16,708,813
Furniture and Equipment	9,697,087	6,617,409
Construction in Progress	378,610	-
Total	<u>28,886,669</u>	<u>25,326,222</u>
Less: Accumulated Depreciation	<u>9,551,452</u>	<u>7,921,608</u>
Campus and Equipment, Net	<u>\$ 19,335,217</u>	<u>\$ 17,404,614</u>

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 7 NET ASSETS

Designated Net Assets

Designated net assets consist of grants and special projects in the amount of \$12,348,190 and \$11,647,974 at June 30, 2015 and 2014, respectively, that have been approved but not disbursed. Funds designated for grants will be disbursed upon receipt of appropriate documentation from the grantees.

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Special Projects and Grants	\$ 2,398,051	\$ 953,916
Open Door	1,358	1,502
Blackstone Fellowship	407,510	446,047
Case Grants	79,148	78,973
Total Temporarily Restricted Net Assets	<u>\$ 2,886,067</u>	<u>\$ 1,480,438</u>

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	<u>2015</u>	<u>2014</u>
Program Services:		
Special Projects and Grants	\$ 12,768,830	\$ 11,543,162
National Litigation Academy	201,800	365,995
Blackstone Fellowship	364,096	1,853,377
Case Grants	34,742	7,513
Net Assets Released from Restrictions	<u>\$ 13,369,468</u>	<u>\$ 13,770,047</u>

Permanently Restricted Net Assets

Permanently restricted net assets are being held for the following purposes:

	<u>2015</u>	<u>2014</u>
Blackstone Fellowship	\$ 100,000	\$ 100,000
Open Door	26,121	26,121
Total Permanently Restricted Net Assets	<u>\$ 126,121</u>	<u>\$ 126,121</u>

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 8 ENDOWMENT

Interpretation of Relevant Law

The Company has donor restricted endowment funds established for the purpose of supporting the ongoing ministry work of the Alliance Defending Freedom. Current donor restricted endowments benefit the Blackstone Legal Fellowship training program, which is designed to educate law students in religious freedom and to become effective leaders in the practice of law and legal advocacy. Restricted endowments also benefit the Open Door Fund designed to provide critical funding of strategic initiatives of the Alliance Defending Freedom. As required by U.S. generally accepted accounting principles, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of the Company has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Company classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Company in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Company has adopted an investment policy whose priority is the preservation of capital, dividends and interest and appreciation sufficient to increase the value of the Endowment ahead of annual distributions. The Company intends to invest in an appropriate range of investment asset classes and sectors that will span the risk and return spectrum in order to generate appropriate investment returns for the corresponding risk taken. The Investment Advisor will offer recommendations as to appropriate asset classes, sectors and their allocation for the Endowment. Investments will be evaluated, as to their specific and unique: rates of return, deviation, risk, earnings, distributions, and fees. Funds, managed accounts, and individual investments will be evaluated against their respective benchmark indices and among their peers. The Investment Advisor will advise the Investment Committee of changes that may need to be made.

The investment policy allows for an annual distribution of endowment assets that is the lesser of: 5% of the Endowment's average annual market value or 5% of the Alliance Defending Freedom operating budget. At its discretion, and with the recommendation of the Investment Committee, the special distributions may be approved. The annual distribution amount will be subject to periodic review by the Investment Committee.

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 8 ENDOWMENT (CONTINUED)

The endowment net assets and activity for 2015 consisted of the following:

	June 30, 2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning	\$ -	\$ 19,964	\$ 126,121	\$ 146,085
Contributions	-	-	-	-
Unrealized Gain/(Loss)	-	(760)	-	(760)
Amounts Appropriated for Expenditure	-	-	-	-
Endowment Net Assets, Ending	<u>\$ -</u>	<u>\$ 19,204</u>	<u>\$ 126,121</u>	<u>\$ 145,325</u>

The endowment net assets and activity for 2014 consisted of the following:

	June 30, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, Beginning	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	126,121	126,121
Investment Income	-	19,964	-	19,964
Endowment Net Assets, Ending	<u>\$ -</u>	<u>\$ 19,964</u>	<u>\$ 126,121</u>	<u>\$ 146,085</u>

NOTE 9 RENTAL INCOME UNDER OPERATING LEASES

The Company leases a portion of its property to one tenant under an operating lease, which expires in January 2017. Rental income for the years ended June 30, 2015 and 2014 was \$303,580 and \$278,281, respectively. The schedule of years of future rental payments to be received under this operating lease, assuming early termination provisions of the lease are exercised, is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	<u>\$ 174,461</u>
Total Future Lease Revenue	<u>\$ 174,461</u>

NOTE 10 ALLOCATION OF JOINT COSTS

For the years ended June 30, 2015 and 2014, the Company incurred joint costs of \$6,482,662 and \$6,052,018, respectively, for informational materials and activities that included fund raising appeals. Of those costs, \$915,845 and \$807,648 were allocated to fund raising expense, \$223,583 and \$250,580 were allocated to general and administrative, and \$5,343,234 and \$4,993,790 were allocated to program services at June 30, 2015 and 2014, respectively.

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 11 OPERATING LEASES

Equipment

The Company leases office equipment under noncancellable operating leases with total monthly payments including on-going maintenance costs of approximately \$13,000 plus applicable taxes. These leases expire at various dates through August 2019. Total rent expense was \$230,376 and \$165,712 for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 315,497
2017	242,617
2018	193,036
2019	88,581
Total Future Lease Payments	<u>\$ 839,731</u>

Office Space

The Company leases various office space under long term operating leases, which require various total monthly payments. The leases expire at various dates through March 2027. Total rent expense was \$865,383 and \$407,347, for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 652,357
2017	586,970
2018	967,039
2019	989,756
2020	963,107
Thereafter	6,495,309
Total Future Lease Payments	<u>\$ 10,654,538</u>

In addition to the long-term leases above, the Company leases certain space under month-to-month lease arrangements. The combined payments for these month-to-month arrangements are approximately \$21,000 per month.

**ALLIANCE DEFENDING FREEDOM AND AFFILIATES
NOTES TO THE COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014**

NOTE 12 RETIREMENT PLAN

The Company has a defined contribution plan under Section 401(k) of the Internal Revenue Code. All employees over age 21 who work a minimum of 1,000 hours per year are eligible to participate in the plan by making voluntary contributions of between 1% and 100% of their gross wages up to \$17,500. The Company matches employee contributions up to 4%. The Company contributed \$466,877 and \$427,773 to the plan for the years ended June 30, 2015 and 2014, respectively.

NOTE 13 COMMITMENTS

The Company has contracts with various hotels and conference centers for special events to be held in the following years. The Company was liable for approximately \$2,260,000 and \$966,000 related to these contracts at June 30, 2015 and 2014, respectively.

NOTE 14 FAIR VALUE MEASUREMENTS

The Company uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Company measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

The following table presents fair value hierarchy for the balances of the assets of the Company measured at fair value on a recurring basis as of June 30, 2015 and 2014:

	June 30, 2015			
	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 2,611,486	\$ -	\$ -	\$ 2,611,486
Mutual Funds - Equities	1,577,467	-	-	1,577,467
Real Estate Funds	278,046	-	-	278,046
Exchange Traded Funds - Equities	600	-	-	600
Certificates of Deposit	11,464,733	-	-	11,464,733
Total	<u>\$ 15,932,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,932,332</u>
	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Equity Securities	\$ 1,604,804	\$ -	\$ -	\$ 1,604,804
Mutual Funds	1,633,958	-	-	1,633,958
Hedge - Bonds	239,784	-	-	239,784
Government Bonds	16,660	-	-	16,660
Certificates of Deposit	4,554,205	-	-	4,554,205
Total	<u>\$ 8,049,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,049,411</u>

**ALLIANCE DEFENDING FREEDOM
SELECTED COMBINING FINANCIAL INFORMATION
YEARS ENDED JUNE 30, 2015**

	<u>ADF</u>	<u>15100 LLC</u>	<u>15100 Solar</u>	<u>ADF Foundation</u>	<u>ADF International Affiliates</u>	<u>ADF Total Combined</u>
ASSETS						
Cash, Investments and Other	\$ 19,902,771	\$ 38,503	\$ 105,098	\$ 4,998,704	\$ -	\$ 25,045,076
Property and Equipment, Net	4,696,394	12,620,175	1,321,045	-	697,603	19,335,217
Total Assets	<u>\$ 24,599,165</u>	<u>\$ 12,658,678</u>	<u>\$ 1,426,143</u>	<u>\$ 4,998,704</u>	<u>\$ 697,603</u>	<u>\$ 44,380,293</u>
REVENUE						
Contributions	\$ 46,258,198	\$ -	\$ -	\$ 150,484	\$ -	\$ 46,408,682
Contributions to Affiliates	(2,096,411)	-	-	620,168	1,476,243	-
Contributed Services	13,147,535	-	-	-	-	13,147,535
Other Revenue	1,749,672	306,872	193,727	57,995	-	2,308,266
Total Revenue	<u>59,058,994</u>	<u>306,872</u>	<u>193,727</u>	<u>828,647</u>	<u>1,476,243</u>	<u>61,864,483</u>
EXPENSES						
Program	50,082,887	-	-	180,484	1,166,847	51,430,218
Company Administration	2,347,420	1,367,996	141,441	63,974	309,396	4,230,227
Fund Raising	6,192,806	-	-	-	-	6,192,806
Total Expenses	<u>58,623,113</u>	<u>1,367,996</u>	<u>141,441</u>	<u>244,458</u>	<u>1,476,243</u>	<u>61,853,251</u>
Change in Net Assets	<u>\$ 435,881</u>	<u>\$ (1,061,124)</u>	<u>\$ 52,286</u>	<u>\$ 584,189</u>	<u>\$ -</u>	<u>\$ 11,232</u>

**ALLIANCE DEFENDING FREEDOM
SELECTED COMBINING FINANCIAL INFORMATION – INTERNATIONAL ENTITIES
YEARS ENDED JUNE 30, 2015**

	<u>ADF - India</u>	<u>ADF - Austria</u>	<u>ADF - Mexico</u>	<u>ADF - Belgium</u>	<u>ADF - France</u>	<u>ADF - Switzerland</u>	<u>Total International Entities</u>
ASSETS							
Cash, Investments and Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property and Equipment, Net	8,429	201,685	-	308,225	1,332	177,932	697,603
Total Assets	<u>\$ 8,429</u>	<u>\$ 201,685</u>	<u>\$ -</u>	<u>\$ 308,225</u>	<u>\$ 1,332</u>	<u>\$ 177,932</u>	<u>\$ 697,603</u>
REVENUE							
Grant Contributions ADF - USA	\$ 80,435	\$ 790,318	\$ 174,335	\$ 211,572	\$ 1,006	\$ 218,577	\$ 1,476,243
Total Revenue	<u>80,435</u>	<u>790,318</u>	<u>174,335</u>	<u>211,572</u>	<u>1,006</u>	<u>218,577</u>	<u>1,476,243</u>
EXPENSES							
Program	59,123	658,200	144,980	156,965	299	147,279	1,166,846
Company Administration	21,312	132,118	29,355	54,607	707	71,298	309,397
Total Expenses	<u>80,435</u>	<u>790,318</u>	<u>174,335</u>	<u>211,572</u>	<u>1,006</u>	<u>218,577</u>	<u>1,476,243</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>