

FREEDOM FROM FEAR, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2005



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Freedom From Fear, Inc.

We have audited the accompanying statement of financial position of Freedom From Fear, Inc. as of December 31, 2005, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Freedom From Fear, Inc. as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

Paramus, New Jersey
May 12, 2006

FREEDOM FROM FEAR, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2005

ASSETS

Cash	\$ 140,517
Investments	1,026,578
Accrued interest receivable	3,295
Property and equipment, net	<u>4,844</u>
	<u>\$ 1,175,234</u>

NET ASSETS

Net assets	
Unrestricted net assets	\$ 1,110,890
Temporarily restricted net assets	<u>64,344</u>
	<u>\$ 1,175,234</u>

See accompanying notes to financial statements.

FREEDOM FROM FEAR, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Grants and program services	\$ 325,077	\$	\$ 325,077
Special events and other revenue	27,343	3,500	30,843
Investment income	29,971		29,971
Net assets released from restrictions	<u>17,160</u>	<u>(17,160)</u>	<u></u>
Total revenues	<u>399,551</u>	<u>(13,660)</u>	<u>385,891</u>
Expenses			
Program services	322,496		322,496
Management and general	82,007		82,007
Fundraising	<u>38,236</u>	<u></u>	<u>38,236</u>
Total expenses	<u>442,738</u>	<u></u>	<u>442,738</u>
Change in net assets	(43,187)	(13,660)	(56,847)
Net assets, beginning of year	<u>1,154,077</u>	<u>78,004</u>	<u>1,232,081</u>
Net assets, end of year	<u>\$ 1,110,890</u>	<u>\$ 64,344</u>	<u>\$ 1,175,234</u>

See accompanying notes to financial statements.

FREEDOM FROM FEAR, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2005

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, benefits & payroll taxes	\$ 213,347	\$ 37,615	\$ 31,950	\$ 282,912
Awards	19,410			19,410
Awareness campaign	5,200			5,200
Educational Programs and honorarium	3,824			3,824
Communication expense	11,168	750	1,073	12,991
Website and internet	7,074	104	131	7,309
Printing expenses	3,310	619	228	4,157
Distribution mailing house	8,003			8,003
Shipping and postage	4,836	557	469	5,862
Travel and meeting expenses	5,315	5,897		11,212
Office expenses	7,400	9,940	576	17,915
Office supplies and miscellaneous expense	3,379	1,631	172	5,181
Office rent and equipment maintenance	30,231	7,654	3,637	41,522
General insurance		9,240		9,240
Professional fees		8,000		8,000
Total functional expenses	<u>\$ 322,496</u>	<u>\$ 82,007</u>	<u>\$ 38,236</u>	<u>\$ 442,738</u>

See accompanying notes to financial statements.

FREEDOM FROM FEAR, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2005

Cash flows from operating activities:	
Change in net assets	\$ (56,847)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	626
Change in investments	46,267
Change in operating assets and liabilities	
Accrued interest	1,556
Other assets	<u>232</u>
Net cash used in operating activities	<u>(8,166)</u>
Cash flows from investing activities:	
Proceeds from investments sold	664,928
Purchase of investments	<u>(665,240)</u>
Net cash used in investing activities	<u>(312)</u>
Net decrease in cash	(8,479)
Cash, beginning of year	<u>148,996</u>
Cash, end of year	<u>\$ 140,517</u>

See accompanying notes to financial statements.

FREEDOM FROM FEAR, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization

Freedom From Fear, Inc. (the Organization) mission is to impact, in a positive way, the lives of all those affected by anxiety, depressive and related disorders through advocacy, education, research and community support. The Organization runs various programs during the year.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting.

Basis of Financial Statement Presentation

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

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

Unrestricted - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

Cash includes highly liquid short-term investments purchased with a maturity of three months or less, but does not include any cash included as investments.

FREEDOM FROM FEAR, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. Summary of Significant Accounting Policies (Continued)

Investments

Investments in equity securities with readily determinable fair values and all debt securities are measured at fair value in the statement of financial position. Changes in unrealized gain or loss on investments is reflected in the statement of activities. The fair values of investment securities are based on quoted market prices for those securities.

Property and Equipment

Furniture, equipment and leasehold improvements are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 7 to 31.5 years. Accumulated depreciation at December 31, 2005 is \$20,022.

Allocation of Expenses

The costs of providing various programs, fundraising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited.

The Organization allocates all expenditures to the various functional expense categories. The allocation for salary and benefits is based primarily on employee time incurred in each respective functional expense category.

Income Taxes

The Organization is exempt from income tax under the Internal Revenue Code Section 501(c)(3).

3. Investments

Investments at December 31, 2005 are as follows:

Equity Mutual Funds	\$ 691,383
Certificates of Deposits	25,055
Money Market Funds	110,987
Government Securities	173,256
Corporate Bonds	<u>25,897</u>
	<u>\$1,026,578</u>

FREEDOM FROM FEAR, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. Investments (Continued)

The following schedule summarizes the investment return for the year ended December 31, 2005.

	<u>Total</u>
Interest and dividends	\$37,560
Net realized and unrealized loss on investments	<u>(7,589)</u>
	<u>\$29,971</u>

4. Temporarily Restricted Net Assets

The temporarily restricted net assets relates to the Sharon Davies Memorial Award which makes grants advancing nursing research in anxiety, depressive and related disorders.

5. Retirement Plans

Eligible employees of the Organization participate in a deferred contribution pension plan. The organization matches employees contribution up to specified limits. The amount of the retirement cost relating to the employees was \$22,122 for 2005.

6. Concentration of Credit Risk

The Organization maintains its cash and cash equivalents at financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000.