

DEFENDING THE REPUBLIC, INC.

FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE EIGHT MONTHS ENDED
JULY 31, 2021
with
INDEPENDENT AUDITORS' REPORT

DEFENDING THE REPUBLIC, INC.
FINANCIAL STATEMENTS – MODIFIED CASH BASIS
FOR THE EIGHT MONTHS ENDED
JULY 31, 2021

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Defending the Republic, Inc.
West Palm Beach, FL

We have audited the accompanying financial statements of Defending the Republic, Inc., (the "Organization"), which comprise the statement of assets and net assets – modified cash basis as of July 31, 2021, and the related statement of receipts and disbursements, - modified cash basis and statement of disbursements by functional expenditures – modified cash basis for the eight months 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 modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of Defending the Republic, Inc. as of July 31, 2021, and its receipts and disbursements and statement of disbursements by functional expenditure for the eight months then ended, in accordance with the modified cash basis of accounting as described in Note 2.

Reed, Quinn & McClure, LLC

Lawrenceville, Georgia
October 27, 2021

DEFENDING THE REPUBLIC, INC.
STATEMENT OF ASSETS AND NET ASSETS (MODIFIED CASH BASIS)
DECEMBER 31, 2021

ASSETS:	
Cash	\$ 5,292,441
Investments	4,000,311
Property and equipment, net	<u>24,732</u>
TOTAL ASSETS	<u>\$ 9,317,484</u>
NET ASSETS WITHOUT RESTRICTIONS	<u>9,317,484</u>
TOTAL NET ASSETS WITHOUT RESTRICTIONS	<u>\$ 9,317,484</u>

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

DEFENDING THE REPUBLIC, INC.
STATEMENT OF RECEIPTS AND DISBURSEMENTS (MODIFIED CASH BASIS)
FOR THE EIGHT MONTHS ENDED JULY 31, 2021

Change in Net Assets without restriction

Support and revenues:	
Contributions	\$ 14,900,610
Investment earnings	715
Total support and revenues	<u>14,901,325</u>
Expenditures:	
Program services:	
Advocacy	2,014,238
Legal and litigation support	2,309,598
Education	430,956
Total program expense	<u>4,754,792</u>
Supporting services:	
Management and general	829,049
Total expenses	<u>5,583,841</u>
Change in unrestricted net assets	9,317,484
Net assets (deficits) without restrictions at December 1, 2020	-
Net assets (deficits) without restrictions at July 31, 2021	<u><u>\$ 9,317,484</u></u>

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

DEFENDING THE REPUBLIC
STATEMENT OF DISBURSMENTS BY FUNCTIONAL EXPENDITURE (MODIFIED CASH BASIS)
FOR THE EIGHT MONTHS ENDED JULY 31, 2021

	Program expenditures				Administration	Total
	Advocacy	Litigation Support	Education	Total Program		
Award and grants	\$ 2,014,238	\$ -	\$ -	\$ 2,014,238	\$ -	\$ 2,014,238
Accounting	-	-	-	-	7,270	7,270
Advertising	-	-	-	-	47,012	47,012
Merchant fees	-	-	-	-	387,805	387,805
Contract services	-	-	-	-	322,580	322,580
Depreciation	-	-	-	-	2,022	2,022
Legal fees	-	2,309,598	382,042	2,691,640	-	2,691,640
Membership and dues	-	-	23,892	23,892	-	23,892
Miscellaneous office	-	-	279	279	3,662	3,941
Occupancy costs	-	-	-	-	19,952	19,952
Office supplies	-	-	-	-	4,950	4,950
Telephone and telecommunications	-	-	-	-	33,329	33,329
Printing	-	-	16,488	16,488	-	16,488
Travel and meetings	-	-	8,255	8,255	467	8,722
Total expense	<u>\$ 2,014,238</u>	<u>\$ 2,309,598</u>	<u>\$ 430,956</u>	<u>\$ 4,754,792</u>	<u>\$ 829,049</u>	<u>\$ 5,583,841</u>

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

DEFENDING THE REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021

1. NATURE OF ORGANIZATION

Defending the Republic, Inc. (the “Organization”) was incorporated in the state of Texas in 2020 and has applied for tax-exempt status under Section 501(c)(4) of the Internal Revenue Code. Contributions to the Organization are not deductible for income tax purposes.

The purpose of Defending the Republic, Inc. is to defend the constitutional rights of all Americans through education, litigation support, and advocacy.

The Education program is conducted on its website, in newsletters, seminars, and through public discourse to educate and inform the public of their individual rights, election integrity, government overreach, and other social matters.

The Litigation program is for challenging issues and instances of government overreach and abuse of individual rights on federal, state, and local levels. Attorneys are contracted to use the courts to litigate cases of constitutional infringement.

The Advocacy program promotes the passage of laws and support of like-minded elected officials in all areas of concern regarding individual rights under the Constitution through outreach programs such as civil and corporate grants to related efforts by others in support of the overall mission of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization records its activities on the modified cash basis of accounting. The modified cash basis uses elements of both the cash basis and accrual basis of accounting and is considered to be an other comprehensive basis of accounting. Under modified cash basis, revenue is recognized when received and deposited, while expenditures are recognized when paid. Any receivables or payables are not included in the changes of net assets.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with restrictions and net assets without restrictions. The Organization did not have any net assets with restrictions at July 31, 2021.

Contributions

All contributions and unconditional promises to give are recorded as without restrictions depending on the existence and/or nature of any donor restrictions. Net assets with restrictions are reclassified to net assets without restrictions upon satisfaction of the time or purpose restriction and reported on the statement of revenue and expenditures – modified cash basis as net assets released from restrictions. When the donor restrictions are satisfied within the same reporting period as the restricted contribution is made, the restricted contribution is reported as net assets with restrictions and as assets released from restrictions

DEFENDING THE REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the asset. Depreciation expense for the eight months ended July 31, 2021 was \$2,022. Recognition of capital assets and depreciation is a modification to the cash basis of reporting.

Functional allocation of expenditures

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of revenues and expenditures. Accordingly, certain costs have been allocated among the programs and supporting services benefited using an estimated time spent on those functions

Fair Value of Financial Instruments

Under current financial accounting standards, Level 1 fair values apply to financial instruments whose fair values are based on quoted market prices for identical assets or liabilities in an active market since they have the highest degree of certainty regarding the underlying value. Cash and cash equivalents are stated at cost, which approximates fair value due to their short-term maturity.

Income Taxes

The Organization may be engaged in certain activities for which it is responsible for payment of unrelated business income tax. Deferred tax assets and liabilities are measured based on enacted tax laws and rates expected to apply to taxable income in the year in which temporary differences are expected to be recorded or settled. Income taxes did not have an impact on the statement of assets and net assets or results of operation - modified cash bases as of and for the eight months ended July 31, 2021.

Subsequent Events

The Organization has evaluated its July 31, 2021 financial statements for subsequent events through October 27, 2021, the date on which the financial statements were available to be issued. The Organization is not aware of any subsequent events or transactions that would require recognition.

Advertising Costs

Advertising expenditures incurred were \$ 47,012 during the eight months ended July 31, 2021.

3. CONCENTRATION OF CREDIT RISK

The FDIC insured limit on bank deposits at July 31, 2021 was \$250,000 per banking institution. At July 31, 2021, the Organization had \$4,792,441 in excess of FDIC limits.

4. INVESTMENTS

Investments consist of mutual funds (level 1) in the amount of \$4,000,316 at July 31, 2021. Investments earning consist of interest and dividends paid of \$715 for the eight months ended July 31, 2021.

DEFENDING THE REPUBLIC, INC.
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021

5. LIQUIDITY

The Organization is supported by donations throughout the eight months ended July 31, 2021. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and other obligations come due. The Organization had \$9,292,752 of financial assets available to meet cash needs for general expenditures within one year at July 31, 2021. The financial assets consist of cash and cash equivalents of \$5,292,441 and investments totaling \$4,000,311.

6. FUNDRAISING

The Organization did not receive contributions from charitable organizations or sponsors. Nor did it contract with professional fundraising consultants, professional solicitors, or commercial co-venturers during the eight months ended July 31, 2021.