

Return of Organization Exempt from Income Tax

2001

Open to Public Inspection

Under Section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Department of the Treasury Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2001 calendar year, or tax year beginning Jul 1, 2001, and ending Jun 30, 2002

B Check if applicable: X Address change, Name change, Initial return, Final return, Amended return, Application pending. C Name of organization: Alliance Defense Fund, Inc. D Employer identification number: 54-1660459. E Telephone number: (480) 444-0020. F Accounting method: Cash, Accrual, Other.

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

G Web site: www.alliancedefensefund.org

J Organization type (check only one): X 501(c) 3 (insert no.) 4947(a)(1) or 527

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

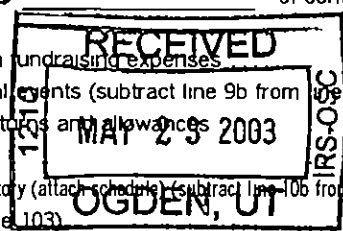
L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12: 15,724,531

H and I are not applicable to Section 527 organizations. H (a) Is this a group return for affiliates? No. H (b) If yes, enter number of affiliates. H (c) Are all affiliates included? No. H (d) Is this a separate return filed by an organization covered by a group ruling? No. I Enter 4 digit group GEN. M Check if the organization is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF).

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (see instructions)

Table with 21 rows and 4 columns: Description, Sub-column (a, b, c), Total, and Final Total. Includes rows for Contributions, Program service revenue, Membership dues, Interest on savings, Dividends, Gross rents, Other investment income, Sales of assets, Special events, Gross sales of inventory, Other revenue, Total revenue, Program services, Management and general, Fundraising, Payments to affiliates, Total expenses, Excess or deficit, Net assets at beginning, Other changes, and Net assets at end of year.

SCANNED JUN 18 2003



28

**Part II Statement of Functional Expenses** All organizations must complete column (A) Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Do not include amounts reported on line 6b, 8b, 9b, 10b or 16 of Part I	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (att sch) <b>Sch Four</b> (cash \$ <u>2,044,182</u> non cash \$ _____)	22 2,044,182	2,044,182		
23 Specific assistance to individuals (att sch)	23 0	0		
24 Benefits paid to or for members (att sch)	24 0	0		
25 Compensation of officers, directors, etc	25 0	0	0	0
26 Other salaries and wages	26 2,546,098	1,252,269	739,370	554,459
27 Pension plan contributions	27 60,146	30,909	16,179	13,058
28 Other employee benefits	28 211,581	101,598	57,153	52,830
29 Payroll taxes	29 194,961	119,014	40,476	35,471
30 Professional fundraising fees	30 89,427	55,445	14,308	19,674
31 Accounting fees	31 18,602	0	18,602	0
32 Legal fees	32 64,445	24,821	37,099	2,525
33 Supplies	33 49,406	19,678	16,687	13,041
34 Telephone	34 87,501	43,485	24,706	19,310
35 Postage and shipping	35 73,609	28,003	25,599	20,007
36 Occupancy	36 104,974	52,926	29,215	22,833
37 Equipment rental and maintenance	37 12,736	6,421	3,545	2,770
38 Printing and publications	38 0	0	0	0
39 Travel	39 437,092	138,594	55,987	242,511
40 Conferences, conventions, and meetings	40			
41 Interest	41			
42 Depreciation, depletion, etc (attach schedule)	42 102,968	51,915	28,656	22,397
43 Other expenses not covered above (itemize)				
a Audio & Video Recording	43a 19,508	19,134	374	0
b Consulting	43b 219,008	87,328	47,316	84,364
c Reference Materials	43c 59,439	39,748	16,463	3,228
d Insurance	43d 3,864	5,500	-1,636	0
e See Other Expenses Stmt Sch Five	43e 6,456,628	5,101,303	559,053	796,272
44 Total functional expenses (add lines 22-43) Organizations completing columns (B) - (D), carry these totals to lines 13-15	44 12,856,175	See Statement One 9,222,273	1,729,152	1,904,750

Joint Costs Check  if you are following SOP 98 2

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services?  Yes  No  
 If 'Yes,' enter (i) the aggregate amount of these joint costs \$ 4,663,762, (ii) the amount allocated to program services \$ 3,507,534, (iii) the amount allocated to management and general \$ 531,956, and (iv) the amount allocated to fundraising \$ 624,272

**Part III Statement of Program Service Accomplishments**

What is the organization's primary exempt purpose? <u>See schedule attached</u>	Program Service Expenses (Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts but optional for others)
a Grants (See "Schedule One" attached)  (Grants and allocations \$ <u>2,044,182</u> )	4,051,362
b Public Education Effort (See "Schedule One" attached)  (Grants and allocations \$ <u>0</u> )	3,837,618
c National Alliance Relations (See "Schedule One" attached)  (Grants and allocations \$ <u>0</u> )	1,160,830
d National Legal Advisory Group (See "Schedule One" attached)  (Grants and allocations \$ <u>0</u> )	172,463
e Other program services (Grants and allocations \$ _____)	
f Total of Program Service Expenses (should equal line 44, column (B), program services)	9,222,273

**Part IV Balance Sheets** (See instructions)

**Note** Where required, attached schedules and amounts within the description column should be for end-of-year amounts only

		(A)		(B)
		Beginning of year		End of year
ASSETS	45 Cash – non interest bearing	298,352	45	55,917
	46 Savings and temporary cash investments	14,920,948	46	17,255,875
	47a Accounts receivable			
	b Less allowance for doubtful accounts	9,056	47c	
	48a Pledges receivable			
	b Less allowance for doubtful accounts		48c	
	49 Grants receivable		49	
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)	Schedule Six 5,550	50	53,960
	51a Other notes & loans receivable (attach sch)			
	b Less allowance for doubtful accounts		51c	
	52 Inventories for sale or use		52	
	53 Prepaid expenses and deferred charges	304,070	53	235,535
	54 Investments – securities (attach schedule) Schedule Five <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV	28,981	54	29,402
	55a Investments – land, buildings, & equipment basis			
	b Less accumulated depreciation (attach schedule)		55c	
	56 Investments – other (attach schedule)		56	
	57a Land, buildings, and equipment basis	Sch Seven 828,135		
	b Less accumulated depreciation (attach schedule)	274,196	57c	553,939
	58 Other assets (describe <input type="checkbox"/> Rental Deposit & Insurance Cash Surrender Value)	50,170	58	10,553
59 <b>Total assets</b> (add lines 45 through 58) (must equal line 74)	15,989,907	59	18,195,181	
LIABILITIES	60 Accounts payable and accrued expenses	208,329	60	170,404
	61 Grants payable		61	
	62 Deferred revenue		62	
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		63	
	64a Tax exempt bond liabilities (attach schedule)		64a	
	b Mortgages and other notes payable (attach schedule)		64b	
	65 Other liabilities (describe <input type="checkbox"/> )		65	
66 <b>Total liabilities</b> (add lines 60 through 65)	208,329	66	170,404	
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74			
	67 Unrestricted	14,507,535	67	16,270,220
	68 Temporarily restricted	1,274,043	68	1,754,557
	69 Permanently restricted		69	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
	73 <b>Total net assets or fund balances</b> (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19 and column (B) must equal line 21)	15,781,578	73	18,024,777
	74 <b>Total liabilities and net assets/fund balances</b> (add lines 66 and 73)	15,989,907	74	18,195,181

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

BAA





**Part VII Analysis of Income-Producing Activities** (See instructions)

Note Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue					
a _____					
b _____					
c _____					
d _____					
e _____					
f Medicare/Medicaid payments					
g Fees & contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings & temporary cash invmnts			14	429,413	
96 Dividends & interest from securities					
97 Net rental income or (loss) from real estate					
a debt financed property					
b not debt financed property					
98 Net rental income or (loss) from pers prop					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory			18	-47,111	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue a _____					
b _____					
c _____					
d _____					
e _____					
104 Subtotal (add columns (B), (D), and (E))				382,302	
105 Total (add line 104, columns (B), (D), and (E))					382,302

Note Line 105 plus line 1d, Part I should equal the amount on line 12, Part I

**Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes** (See instructions)

Line No	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
v	

**Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities** (See instructions) N/A

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End of year assets
	%			
	%			
	%			
	%			

**Part X Information Regarding Transfers Associated with Personal Benefit Contracts** (See instructions)

a Did the organization, during the year, receive any funds, directly or indirectly, to pay pr

b Did the organization, during the year, pay premiums, directly or indir

Note If 'Yes' to (b), file Form 8870 and Form 4720 (see instructions)

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including all true, correct and complete Declaration of preparer (other than officer) is based on all the information provided to me.

Signature of Officer: *Wayne N. Swindler*

Type or Print Name and Title: Wayne N Swindler, C F O

---

Paid Preparer's Use Only

Preparer's Signature: *Janet L. Bitzko*

Firm's name (or yours if self-employed) and address and ZIP + 4: Janet L Bitzko, P A  
11615 SOUTH BLACKFOOT DRIV  
PHOENIX

**Schedule A**  
**(Form 990 or 990-EZ)**

**Organization Exempt Under**  
**Section 501(c)(3)**

OMB No 1545-0047

**(Except Private Foundation) and Section 501(e), 501(f), 501(k), 501(n), or Section 4947(a)(1)**  
**Nonexempt Charitable Trust Supplementary Information - (See separate instructions)**  
**Supplementary Information - (see separate instructions)**

**2001**

Department of the Treasury  
Internal Revenue Service

▶ **Must be completed by the above organizations and attached to their Form 990 or 990-EZ.**

Name of the Organization

Alliance Defense Fund, Inc

Employer Identification Number

54-1660459

**Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees**

(See instructions List each one If there are none, enter 'None')

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
See attached "Schedule Three"				
-----				
-----				
-----				
-----				
-----				
-----				
-----				
-----				
-----				
Total number of other employees paid over \$50,000 ▶ 7				

**Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services**

(See instructions List each one (whether individuals or firms) If there are none, enter 'None')

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
Valtim 1095 Venture Drive, Forest, VA 24551	Database Mgmt, Caging Services	286,194
Todd Dexter & Associates 12001 N Central Expressway, Ste 150, Dallas, TX 75243	Direct Mail Consulting	60,000
-----		
-----		
-----		
-----		
-----		
-----		
Total number of others receiving over \$50,000 for professional services ▶ None		

**Part III Statements About Activities** (See instructions)

	Yes	No
<p>1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If 'Yes,' enter the total expenses paid or incurred in connection with the lobbying activities <b>▶</b> \$ _____</p> <p><b>(Must equal amounts on line 38, Part VI-A, or line 1 of Part VI-B)</b></p> <p>Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI A Other organizations checking 'Yes,' must complete Part VI-B and attach a statement giving a detailed description of the lobbying activities</p>		X
<p>2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is 'Yes' attach a detailed statement explaining the transactions)</p> <p>a Sale, exchange, or leasing of property?</p>		X
<p>b Lending of money or other extension of credit?</p>		X
<p>c Furnishing of goods, services, or facilities?</p>		X
<p>d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?</p> <p style="text-align: right;">See Part V Form 990</p>	X	
<p>e Transfer of any part of its income or assets?</p>		X
<p>3 Does the organization make grants for scholarships, fellowships, student loans, etc? (See Note below)</p>	X	
<p>4 Do you have a section 403(b) annuity plan for your employees?</p>		X
<p><b>Note</b> Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs 'qualify' to receive payments <b>Statement Two</b></p>		

**Part IV Reason for Non-Private Foundation Status** (See instructions)

The organization is not a private foundation because it is (please check only **One** applicable box)

- 5  A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
- 6  A school Section 170(b)(1)(A)(ii) (Also complete Part V)
- 7  A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
- 8  A federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
- 9  A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state ▶ \_\_\_\_\_
- 10  An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the **Support Schedule** in Part IV A)
- 11a  An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV A)
- 11b  A community trust Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV A)
- 12  An organization that normally receives (1) more than 33-1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc, functions - subject to certain exceptions, and (2) no more than 33-1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the **Support Schedule** in Part IV A)
- 13  An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3))

Provide the following information about the supported organizations (See instructions)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14  An organization organized and operated to test for public safety Section 509(a)(4) (See instructions)



**Part IV-A Support Schedule** (Complete only if you checked a box on line 10, 11, or 12) *Use cash method of accounting*

**Note** You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 2000	(b) 1999	(c) 1998	(d) 1997	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)	14,704,297	11,730,550	8,324,137	1,875,752	36,634,736
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose					
18 Gross income from interest, dividends, amounts received from payments on securities loans (Section 512(a)(5)), rents, royalties, and unrelated business taxable income (less Section 511 taxes) from businesses acquired by the organization after June 30, 1975	724,517	137,237	122,362	36,860	1,020,976
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets.					
23 Total of lines 15 through 22	15,428,814	11,867,787	8,446,499	1,912,612	37,655,712
24 Line 23 minus line 17	15,428,814	11,867,787	8,446,499	1,912,612	37,655,712
25 Enter 1% of line 23	154,288	118,678	84,465	19,126	
<b>26 Organizations described on lines 10 or 11</b>	<b>a</b> Enter 2% of amount in column (e), line 24				<b>26a</b> 753,114
<b>b</b> Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1997 through 2000 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts.					<b>26b</b> 247,886
<b>c</b> Total support for Section 509(a)(1) test. Enter line 24, column (e).					<b>26c</b> 37,655,712
<b>d</b> Add: Amounts from column (e) for lines 18 <u>1,020,976</u> 19 <u>36,860</u>					<b>26d</b> 1,268,862
22 <u>154,288</u> 26b <u>247,886</u>					<b>26e</b> 36,386,850
<b>e</b> Public support (line 26c minus line 26d total)					<b>26f</b> 96.63%
<b>f</b> Public support percentage (line 26e (numerator) divided by line 26c (denominator))					
<b>27 Organizations described on line 12</b>					
<b>a</b> For amounts included in lines 15, 16, and 17 that were received from a 'disqualified person,' prepare a list for your records to show the name of, and total amounts received in each year from, each 'disqualified person.' Do not file this list with your return. Enter the sum of such amounts for each year: (2000) _____ (1999) _____ (1998) _____ (1997) _____					
<b>b</b> For any amount included in line 17 that was received from each person (other than 'disqualified persons'), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: (2000) _____ (1999) _____ (1998) _____ (1997) _____					
<b>c</b> Add: Amounts from column (e) for lines 15 <u>15,428,814</u> 16 <u>8,446,499</u>					<b>27c</b> _____
17 <u>1,875,752</u> 20 <u>1,020,976</u> 21 <u>36,860</u>					<b>27d</b> _____
<b>d</b> Add: Line 27a total _____ and line 27b total _____					<b>27e</b> _____
<b>e</b> Public support (line 27c total minus line 27d total)					
<b>f</b> Total support for section 509(a)(2) test. Enter amount from line 23, column (e)					<b>27f</b> _____
<b>g</b> Public support percentage (line 27e (numerator) divided by line 27f (denominator))					<b>27g</b> _____ %
<b>h</b> Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					<b>27h</b> _____ %

**28 Unusual Grants** For an organization described in line 10, 11, or 12 that received any unusual grants during 1997 through 2000, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

**Part V Private School Questionnaire** (See instructions )  
 (To be completed Only by schools that checked the box on line 6 in Part IV)

		N/A	
		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If 'Yes,' please describe, if 'No,' please explain (If you need more space, attach a separate statement ) ----- ----- -----		
32	Does the organization maintain the following		
	a Records indicating the racial composition of the student body, faculty, and administrative staff?		
	b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
	c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
	d Copies of all material used by the organization or on its behalf to solicit contributions?  If you answered 'No' to any of the above, please explain (If you need more space, attach a separate statement ) ----- -----		
33	Does the organization discriminate by race in any way with respect to		
	a Students rights or privileges?		
	b Admissions policies?		
	c Employment of faculty or administrative staff?		
	d Scholarships or other financial assistance?		
	e Educational policies?		
	f Use of facilities?		
	g Athletic programs?		
	h Other extracurricular activities?  If you answered 'Yes' to any of the above, please explain (If you need more space, attach a separate statement ) ----- ----- -----		
34a	Does the organization receive any financial aid or assistance from a governmental agency?		
	b Has the organization's right to such aid ever been revoked or suspended? If you answered 'Yes' to either 34a or b, please explain using an attached statement		
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75 50, 1975 2 C B 587, covering racial nondiscrimination? If 'No,' attach an explanation		

**Part VI-A Lobbying Expenditures by Electing Public Charities** (See instructions )  
 (To be completed **Only** by an eligible organization that filed Form 5768)

N/A

Check  **a** if the organization belongs to an affiliated group Check  **b** if you checked 'a' and 'limited control' provisions apply

**Limits on Lobbying Expenditures**

(The term 'expenditures' means amounts paid or incurred )

		(a) Affiliated group totals	(b) To be completed for all electing organizations												
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36													
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37													
38	Total lobbying expenditures (add lines 36 and 37)	38													
39	Other exempt purpose expenditures	39													
40	Total exempt purpose expenditures (add lines 38 and 39)	40													
41	Lobbying nontaxable amount Enter the amount from the following table –														
	<table border="0"> <tr> <td style="width: 50%;">If the amount on line 40 is –</td> <td style="width: 50%;">The lobbying nontaxable amount is –</td> </tr> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 40</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000</td> </tr> </table>	If the amount on line 40 is –	The lobbying nontaxable amount is –	Not over \$500,000	20% of the amount on line 40	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000	41	
If the amount on line 40 is –	The lobbying nontaxable amount is –														
Not over \$500,000	20% of the amount on line 40														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
42	Grassroots nontaxable amount (enter 25% of line 41)	42													
43	Subtract line 42 from line 36 Enter 0 if line 42 is more than line 36	43													
44	Subtract line 41 from line 38 Enter 0 if line 41 is more than line 38	44													

**Caution** If there is an amount on either line 43 or line 44 you must file Form 4720

**4 -Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below  
 See the instructions for lines 45 through 50 )

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4 -Year Averaging Period				
	(a) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total
45	Lobbying nontaxable amount				
46	Lobbying ceiling amount (150% of line 45(e))				
47	Total lobbying expenditures				
48	Grassroots non taxable amount				
49	Grassroots ceiling amount (150% of line 48(e))				
50	Grassroots lobbying expenditures				

**Part VI-B Lobbying Activity by Nonelecting Public Charities**  
 (For reporting only by organizations that did not complete Part VI-A) (See instructions )

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of

- a Volunteers
- b Paid staff or management (include compensation in expenses reported on lines c through h)
- c Media advertisements
- d Mailings to members, legislators, or the public
- e Publications, or published or broadcast statements
- f Grants to other organizations for lobbying purposes
- g Direct contact with legislators, their staffs, government officials, or a legislative body
- h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i Total lobbying expenditures (add lines c through h)

Yes	No	Amount
	X	
	X	
	X	
	X	
	X	
	X	
	X	
	X	

If 'Yes' to any of the above, also attach a statement giving a detailed description of the lobbying activities



The secular media, some members of the public, a few of the so-called "charity watchdog" organizations, and several reputable financial publications, tend to be overly preoccupied with fundraising and general & administrative percentages. Often those writing the most on the subject seem to be the least informed as to what is meaningful.

If you compute the percentage allocation of the Alliance Defense Fund's expenditures for Program Services, Management & General, and Fundraising as reported on page one of this Form 990, those percentages equal 72%, 13%, and 15%, respectively. (As noted in the attachment "Schedule One" to Part III, "Statement of Program Service Accomplishments", those percentages could be reported as 85% for Program Services, 7% for Management & General, and 8% for Fundraising if contributed attorney services to ADF, and grant awards & designated special projects in ADF-maintained escrow accounts were included in the calculations. In addition, it's significant to note that the total value of all legal services rendered and pledged by ADF-trained volunteer attorneys to their clients - \$46 million - would exceed the entire cash budget of ADF! See "Schedule One", Line b)

The BBB Wise Giving Alliance (a merger of the National Charities Information Bureau, one of the oldest charity watchdog organizations in the country - established in 1918 - and the nationally recognized watchdog organization Council of Better Business Bureaus' Foundation and its Philanthropic Advisory Service, recommends that charities should spend at least 65% of its annual expenses on program activities, and that its fundraising expenses, in relation to fundraising results, are reasonable over time. ADF comfortably exceeds this minimum program expenditure standard, and as evidenced by ADF's blessed and remarkable rapid growth, ADF's fundraising results are more than reasonable over time.

But if one is going to compare percentages, it is important to realize that these percentages can often vary significantly among different categories of organizations, and can vary even within the same

category of organizations. The Evangelical Council for Financial Accountability (ECFA), founded in 1979 to "enunciate, maintain and manifest a code of financial accountability, ethics and reporting which is consistent with enlightened and responsible Christian faith and practice", and with over 1000 members in good standing (of which ADF is one such member), in its position paper entitled "How Much for Fundraising?" details various reasons why utilizing ratios and comparing percentages as the only measure to gauge an organization's efficiency and effectiveness is an unsound practice. That paper is reproduced in its entirety and with the permission of ECFA below.

The Alliance Defense Fund has grown from a first year organization reporting \$400,000 in gross revenue to an organization reporting over \$15 million in a little over 8 years because of God's provision. ADF believes the means by which He has done so is through His people, prayerfully motivated in part by ADF's careful investment in communications and various fundraising activities. Without this investment of precious resources, ADF would not be at the level it is today - engaging in the legal battle for religious freedom, the sanctity of human life, and family values in very significant ways. In order to reach its goal of being a \$25 million organization (which will enable ADF to operate even more effectively in accordance with its mission), ADF anticipates having to continue investing a portion of its future resources in fundraising activities and efforts.



#### How Much for Fund-raising?

One of the most confusing issues facing the nonprofit community, both secular and religious, is the calculation of fund-raising costs. Do you determine it as a percentage of total income or contributed income? Does the calculation include gifts in kind, grants, estates etc?

## Statement Regarding Percentage of Expenditures

These questions take us barely past the starting point in a maze that has regulators and practitioners at odds. Nevertheless, it is an issue that everyone acknowledges is important.

Fueling the problem are editors, authors, and self-styled critics who continue to use the calculation of fund-raising costs from audited financial statements as the *primary* barometer to gauge the efficiency or effectiveness of a ministry. The issue is frequently compounded by the use of the fund-raising percentage cousin, the general and administrative (G&A) overhead percentage.

Why do they do this? Because some nonprofit organizations have shown wanton disregard for the public's interest by incurring enormous fund-raising and/or overhead costs in carrying out their mission (the legitimacy of which is all too often suspect as well). Why else? Because charities have adopted their own interpretation of allocation guidelines when determining what constitutes fund-raising or overhead costs. Varying interpretations have resulted in not just slight differences but, in some cases, wide differences in the reported percentages. This makes some *appear* to be better run organizations than others. Any other reason? Yes, the public seems to like a convenient way to compare or rank charities. It just doesn't know it's not getting an "apples to apples" comparison.

Is there not consistency among generally accepted accounting procedures? No. As a part of Generally Accepted Accounting Principles (GAAP), Statement of Position (SOP) 98-2, "Accounting for Costs of Activities for Not-for-profit Organizations and State and Local Governmental Entities that includes Fund-raising," was issued by the AICPA to assure external users of the public sector entities' financial statements that fund-raising costs, as well as program and management and general costs, are fairly stated. Even though it is a serious attempt to address the problem, it has produced a mixed bag of responses that are anything but conclusive.

Aside from all the wrangling over calculation, however, there is another very practical list of reasons why fund-raising expenses, and for that matter general and administrative expenses, would be different among organizations for very legitimate reasons. Let's try a few examples:

- 1) The ministry's mission itself may create a different type of fund-raising requirement. Disaster relief organizations, with publicity help from the news media when a crisis occurs, may require less effort or less education of the public to gain its support. Other important but perhaps lesser-known causes such as fighting pornography, may require greater education of the public and therefore, a higher cost of fund-raising. Or, a regular radio or TV broadcast ministry, by its very nature may spend less to gain public support for its work than a mission agency with no regular means of communication with the public.
- 2) Some organizations may be blessed with ongoing foundation grants or special endowments that significantly lower the requirement for fund-raising. If fund-raising percentage is used as a measure of competitive effectiveness, such organizations would have an unfair advantage over a ministry that is not so endowed. Yet the purpose of the two organizations may be of equal value. For that matter, the one that is not endowed may actually be doing a better job in fund-raising and efficient operation. Similarly, an unusually large undesignated

## Statement Regarding Percentage of Expenditures

gift in any one-year, the benefit of which extends into the next year, can "skew" the percentage for both years

- 3) The age of an organization can play a part. An older ministry with an established donor base which contributes regularly is not as likely to require as much fund-raising as a new organization that is trying to get its mission before the public. When Mothers Against Drunk Driving (MADD) began, its first few years of fund-raising costs were extremely high. However, it was very efficient in using the funds it had for program services, so much so that its efforts have changed the laws of this country regarding drinking and driving. Today, as a more mature organization, its fund-raising percentages are relatively less. If the higher fund-raising percentages early in the life of MADD had been used to discredit its effectiveness, the good it has accomplished might never have happened. Who can deny it was effective in accomplishing its mission? Even now, MADD still ranks way down the list in most charity surveys that use fund-raising percentage as the test for efficiency.
- 4) There are occasions when organizations require a special capital campaign to raise funds for a building or other one-time need. In any given year, this could raise its normal fund-raising costs and adversely affect the percentage calculation as compared to another organization that was not conducting a special capital campaign. In that regard, there are some small ministries that could even be affected by individual fund-raising events. Suppose a fund-raising event is snowed out, resulting in poor attendance after the ministry committed a large sum to secure a banquet hall or an arena. Such a circumstance could undercut the funds it expected to raise from that event, even though the cost to hold the event turned out to be the same. The examples go on and on, including difficulties that small ministries have in gaining an "economy of scale."
- 5) It is entirely possible that a ministry with a *lower* percentage of program expense is more effective than another ministry with a *higher* percentage of program expense in terms of fulfilling the ministry's mission. Preoccupation with fund-raising and G&A percentages can produce the opposite of what is intended. Such preoccupation often forces the "creative" financial reporting that now exists as nonprofits scramble to put their best face on the financial statements because they know people are judging them on the numbers. The salary of a secretary in the development department may be allocated to fund-raising in one organization, to general and administrative in another, or maybe even to program (ministry) services in another because the job description spans multiple disciplines. It's just not consistent. Besides all that, extremely low administrative overhead (which is touted as being good) may mean there is no strong leadership planning and the ministry is just tossing money at poorly managed programs.

All of this is not to say that the ratios discussed here are of no value at all. It can be a measure, but it should not be *the* measure – especially if ministries get ranked according to small differences in these percentages – sometimes in tenths of a percent.

Regrettably, the whole issue of fund-raising has taken on a negative connotation. Scripturally, it is a blessing to give. In fact, the very act of giving is a type of worship, and yet a recent survey in Oregon indicated that the public would rather receive crank calls or "wrong number calls" than a charitable solicitation call.



**Statement Regarding Percentage of Expenditures**

**For all these reasons, the Evangelical Council for Financial Accountability (ECFA) cautions donors not to overemphasize the percentages discussed here, even though we do not advise ignoring them either. Rather, each organization is encouraged to define the accomplishment of its mission through accountable reports and openness with the public. After all, that's the point – as a Christian community, what are we accomplishing with the funds entrusted to us?**

**ALLIANCE DEFENSE FUND, INC.**  
**Form 990, Schedule A**  
**Part III Statement About Activities**  
**Question 3 – Explanation of Grants & Scholarships**

**Federal ID #54-1660459**

The mission of the Alliance Defense Fund is to provide strategic planning, training, and funding for the legal defense and advocacy of Religious Freedom, the Sanctity of Human Life and Traditional Family Values.

The Alliance Defense Fund considers carefully all grant applications submitted to it, and all grants awarded must fall within ADF's specific mission. ADF maintains a detailed and very high standard of review because of its stewardship responsibility over every dollar awarded. ADF is particularly looking for cases that will establish or enforce valuable legal precedent in furtherance of its mission. Litigation in such cases must meet the public interest law firm requirements that it can reasonably be considered as representing a broad public interest, and that it is not economically feasible for private litigants to pursue.

All grant requests received by ADF are reviewed and approved by the Grants and Review Committee (GRC), comprised of seven expert attorneys who generously volunteer their time to ADF. This committee prayerfully reviews detailed, formal requests for funding and awards grants based on the merit of cases according to strict criteria. Preference is given to those cases that have the potential to set major national and regional precedents that will contribute to the body of case law that others can use to litigate their cases. The committee also looks for excellence in litigation and work product. The Executive Committee of the Board of Directors subsequently approves awards recommended by the GRC. In order to ensure that each grant is assessed in an objective manner, petitions to ADF, its Founders, the GRC members, and/or the Executive Board on behalf of a particular grant application may not be considered.

Because ADF operates on a strict no-debt policy, grants are only awarded as funds are available. ADF never goes into debt to fund a case (or underwrite any ADF activity) and ADF never funds a case in hopes of then raising money for it. Instead, money awarded is deposited into an ADF-maintained escrow account so that grantees can

**ALLIANCE DEFENSE FUND, INC.**  
**Form 990, Schedule A**  
**Part III Statement About Activities**  
**Question 3 – Explanation of Grants & Scholarships**

**Federal ID #54-1660459**

count on critical funding being available when it is needed. ADF does not release awarded funds to grant recipients until proof of completion of work or expenditures is received.

ADF may only award grants to tax-exempt non-profit entities recognized by the Internal Revenue Service under Internal Revenue Code § 501(c)(3). If ADF awards such grants, the non-profit organization will be ADF's grantee for purposes of funding. ADF must receive the organization's current IRS Exemption Letter (Letter of Determination). All grant recipients agree to adhere to all applicable rules and regulations including IRS Revenue Rulings.

ADF provides two annual scholarships - The William Pew Religious Freedom Scholarship and the Anthony & Benedict DeAngelo Scholarship.

The William Pew Religious Freedom Scholarship is an annual essay competition open to law students of any faith, currently enrolled and in good standing in a J.D. program at an American law school. A new writing topic is announced in August or September of each year and entries must be submitted by a designated deadline the following Spring. Submitted papers are judged by a panel of judges, consisting of academics and practicing attorneys, appointed by ADF. Papers are evaluated on the basis of adherence to the designated topic, writing quality, clarity, originality, analysis, and soundness of legal reasoning.

The Anthony & Benedict DeAngelo Scholarship is awarded each year to one or more law students that have successfully completed The Blackstone Fellowship Program, and have demonstrated outstanding achievements, aptitude, leadership, career potential (e.g., Law Review membership, Law Review editorial staff appointment, judicial clerkships, scholarly publication, Moot Court or Trial Advocacy competition awards) during their legal studies, and currently enrolled in their third (final) year of law school. Applicants are required to submit an original essay that addresses how The Blackstone Internship program has uniquely prepared them to make a significant impact on the American legal system for Jesus Christ. ADF identifies qualified candidates and

**ALLIANCE DEFENSE FUND, INC.**  
**Form 990, Schedule A**  
**Part III Statement About Activities**  
**Question 3 – Explanation of Grants & Scholarships**

**Federal ID #54-1660459**

solicits essays. Evaluations and scholarship awards are determined by  
May 1 of each year.

Line a: \$4,051,362

**GRANTS:** The Alliance Defense Fund (ADF) continued the fulfillment of its mission to provide funding through grants for the advocacy or defense of religious freedom, sanctity of human life, family values and for legal education and training in these areas.

Of the \$4,051,362 in expenditures related to ADF's grant funding program, \$2,044,182 represents specific grants awarded in 2001-2002. For IRS Form 990 purposes, ADF is only permitted to report grant awards of \$2,044,182 for this period. However, since ADF does not release awarded funds to grant recipients until proof of completion of work or expenditures on the cases is received, ADF sets aside awards for cases and designated special projects in ADF-maintained escrow accounts. Grantees can then count on critical funding being available when it is needed. What isn't reflected in this tax return is \$10,467,549 in various grant awards and designated special projects that have been retained in the current period to be disbursed in future periods. If ADF includes this amount in the total of grants awarded, TOTAL PROGRAM EXPENDITURES would amount to 84% of total expenditures for the year.

In addition, the IRS does not allow charities to include the value of donated services in income and as an offsetting expense (although this is allowed by Generally Accepted Accounting Principles). The Grants and Review Committee is a seven-member committee appointed by ADF's Board of Directors, and is comprised of expert attorneys who generously volunteer their time to ADF. This committee prayerfully reviews detailed, formal requests for funding and awards grants based on the merit of cases according to strict criteria. Preference is given to those cases that have the potential to set major national and regional legal precedents that will contribute to the body of case law that others can use to

litigate their cases. The value of this donated time by these expert attorneys is conservatively estimated at \$94,000.

Prior to 1994, when ADF was founded, many worthy legal cases that could have set a positive precedent for religious freedom were never pursued due to a lack of funding. Now people of faith have a growing place to turn for the financial help needed to pursue a case in the nation's courts.

Over the past eight years, ADF has received many, many formal requests for assistance, of which 1,136 made it to the final review by the Grants and Review Committee. Of those, 882 were granted funding. Not every case would be funded even with unlimited resources, but worthy cases still have to be declined. Some of the greatest needs are so costly that ADF will not yet accept an application for these cases.

Many cases are defensive in nature. But increasingly, ADF is funding litigation that is going on the offensive to confront the radical legal agenda advocating homosexual behavior, defend parental rights, and reclaim the Constitution's guarantee of free exercise of religion. Since ADF was formed and up to the end of June 2001, 53% of ADF grants awarded have dealt with religious freedom issues, 26% with family values, and 21% with sanctity of human life.

Because ADF operates on a strict no-debt policy, grants are only awarded as funds are available. ADF never goes into debt to fund a case or underwrite any program, nor does ADF agree to fund a case in the hopes of then raising money for it.

Line b: \$3,837,618

PUBLIC EDUCATION & INFORMATION EFFORT: In accordance with ADF's mission, ADF expended time and resources to develop written, audio and visual materials for the

education of the public and attorneys concerning the areas of religious freedom, the sanctity of human life, and family values.

No other organization offers volunteer attorneys of faith anything even similar to ADF's comprehensive, in-depth legal training. ADF provides this free service to the body of Christ and other people of faith in several ways, including its National Litigation Academy, its Blackstone Legal Resource Center, and by holding moot (practice) courts to prepare attorneys for critical arguments. Also, in the summer of year 2002, ADF trained another new generation of attorneys by teaching first year law students for several weeks and placing them with IRS Section 501(c)(3) public interest legal groups for a summer internship program called The Blackstone Fellowship.

On fourteen occasions since 1997, ADF has gathered up to 60 lawyers at its National Litigation Academy for nearly a week of intensive legal instruction by some of the top legal scholars and practicing attorneys in the nation. Many highly motivated attorneys with strong credentials have little or no experience with ADF issues. Past National Litigation Academy sessions, including the three held in 2001-2002, have effectively equipped attorneys to battle the homosexual legal agenda, defend parental rights, and protect religious freedom. Also, 40 State Bar Associations accredit these academy sessions for Continuing Legal Education credit.

One of the most unique aspects of ADF's National Litigation Academy is the way it multiplies its donors' investment in ADF. Each lawyer who attends the NLA commits to provide 450 hours of pro bono legal work on cases related to his or her training. Based on an average hourly billing rate of \$175, which amounts to at least \$78,750 per attorney in free legal services (some have already donated more than 600 hours).

As of March 22, 2003, 634 attorneys have graduated from ADF's National Litigation Academy. The combined value of the volunteer legal work pledged totals over \$46 million. When compared to the \$3.9 million it has cost to train the first 634, this comes to better than an 12:1 return on investment.

One of ADF's goals is to have 930 ADF-trained volunteer attorneys nationwide by the year 2003 or before - at least 15 lawyers in 40 states, and 30 lawyers in the 10 most active states and the District of Columbia.

ADF's Blackstone Legal Resource Center provides cutting-edge legal education through training materials, videotapes, and other materials, all free-of-charge to allied attorneys. Attorneys can access up-to-date developments in the areas of religious liberties, the sanctity of human life and traditional family values. Attorneys can also access legal documents, such as sample briefs, needed to litigate a wide variety of cases, from equal access to parental rights. Many attorneys have used these valuable resources to increase the likelihood of winning their cases. For example, an attorney used materials from ADF's Legal Resource Center to challenge the actions of a Tennessee city that tried to limit public exposure to the Gospel. Not only did the ADF-funded and ADF-trained attorney win at the trial court, but the court ordered the costs of the case reimbursed. Those funds were put back into the battle ADF continuously fights to keep the door open for the spread of the Gospel.

The Blackstone Legal Resource Center includes:

Basic Training Series - consisting of a wide variety of legal training videos and manuals as well as unique court pleadings on diskette and hard copy.



**National Case Referral Center - the means by which ADF will be able to assign the best legal team to litigate cases and to coordinate the activities of 100 plus organizations and 1,000 volunteer attorneys.**

**Virtual Religious Liberty Law Library - through a secure Internet website, ADF-allied attorneys and organizations are able to access ADF's library to conduct research on religious liberty cases and other legal matters related to ADF's mission.**

**In the summer of 2000, 24 Christian law students from America's top law schools were the first participants in ADF's Blackstone Fellowship Program. In 2001, 60 Christian law students participated in the Blackstone Fellowship Program. In 2002, 67 Christian law students participated in the Program. ADF has received 140 applications for 80 openings in the summer 2003 Program. This summer-long leadership development program in law and servant ministry is unlike any other legal internship program ever offered. As a rigorous internship for exceptionally capable and highly motivated law students, the Blackstone Fellowship inspires a distinctly Christian worldview in every area of law, and particularly in the areas of public policy and religious liberty. With this ongoing program, it's ADF's goal to train a new generation of lawyers who will rise to positions of influence and leadership as legal scholars, litigators, judges - and perhaps even Supreme Court Justices - who will work to ensure that justice is carried out in America's courtrooms.**

**Fellows attend lectures, seminars, interactive discussions, and individual studies in which they are immersed in the common law heritage, constitutional theory and analysis, legal philosophy, and the clash of worldviews. In addition, Fellows work for several weeks with various Christian public interest law firms on active litigation. When the Fellows have completed the**

program, they've gained practical experience, forged relationships with likeminded attorneys, and caught a vision for how God can use them as judges, law professors, and practicing attorneys to help keep the door open for the spread of the Gospel in America.

From the inception of ADF, the Bible verse John 15:5 "Without Christ we can do nothing" has been the cornerstone core value of the organization upon which every program noted above, every thought, every action, and every strategy has been and is based. ADF is in complete and total dependence upon God for everything. The means by which ADF acknowledges its dependence on God is through prayer. This attitude is also reflected in the parallel core value that ADF can only accomplish its mission by praying constantly and enlisting others to pray as well ("Pray without ceasing." I Thessalonians 5:17)

ADF strives to articulate this concept and core value in all of its communications. Those communications consist of radio interviews; weekly alerts sent via e-mail, facsimile transmission, and regular mail; monthly newsletters; bi-monthly newsletters ("Briefings"); cassette audio tapes, video tapes and compact discs; Public Service Announcements; Annual Reports; full-page magazine advertisements; handwritten note cards and letters; and a website devoted exclusively to prayer. In addition, members of the Development Team have been given the mandate to solicit and encourage "prayer intercessors" who will "cover every action with prayer"; that is, pray for ADF, specific court cases, and ADF's allied attorneys, employees & ministry friends. Educational information is provided to assist the recipients in praying intelligently, specifically, and with purpose. Examples of these educational messages include, but are certainly not limited to, the Framers' original intent for the U.S. Constitution and Bill of Rights to reflect God's natural law and God's higher law; those entities that seek to re-direct and pervert this original purpose and intent; examples of real-

life situations and actual court cases where God's perfect will and justice has been thwarted; specific court cases where ADF's involvement has achieved God's justice; and other strategies for reclaiming the judicial system as it was originally envisioned and intended.

Line c:

\$1,160,830

**NATIONAL ALLIANCE RELATIONS:** ADF's first task is to build and maintain an alliance of groups and attorneys to plan and coordinate their legal work. Without compromising on key legal issues, ADF has now partnered with more than 125 religious, secular, and conservative nonprofit organizations.

ADF is building alliances that also include a growing number of public officials as well as a budding informal cooperative with Canadian and other international attorneys who confront issues similar to those faced by ADF-allied attorneys in the United States.

ADF works with these allies to coordinate and strategize effective approaches to legal cases that could result in important Supreme Court precedents. An example of this coordination in 2000-2001 was a recent ADF-assisted win in *Good News Club v. Milford Central Schools*, in which the Supreme Court held that it did not violate the Establishment Clause to allow a Good News Bible Club to meet after hours in lower schools in New York. This victory can be traced back for years when ADF began to work strategically with its allies and fund a growing number of equal access cases for litigation in the federal courts, whose conflicting decisions resulted in an inconsistent application of the law in various jurisdictions. To resolve this conflict and the important issues, the U.S. Supreme Court accepted *Good News Club* for review. In its decision, the High Court cited, among others, four appellate

court decisions from ADF-backed equal access cases, and the Court's majority relied on a precedent in ADF's very first strategically backed Supreme Court case - *Rosenberger v. Rector and Visitors of University of Virginia*.

ADF has maintained its effort to build the alliance through written, phone, and personal contacts. Included in alliance building is ADF's commitment to maximizing every opportunity to minister to and be "a friend in time of need" to those individuals, organizations, attorneys, and law firms it serves.

As a result, the legal effort for religious freedom has never been more energized and tightly focused on key legal battles. For example, ADF brought together attorneys and allied legal groups to develop a national strategy to protect marriage before and after Vermont's decision to legalize "civil unions" for homosexuals. ADF continues to develop strategies with allies to file many new equal access cases in 2002. These lawsuits are aimed at guaranteeing students', churches', ministries', and groups' right to use public facilities on the same basis as secular organizations.

ADF publishes a monthly informational letter, a bi-monthly Briefing and weekly releases to inform lawyers and concerned members of the public about various legal matters and their potential impact. In addition, ADF's President and ADF attorneys, participated in dozens of radio interviews and numerous speaking engagements, with the intent to spread the importance of "alliance building" to the public.

Line d:

\$172,463

DEVELOPMENT OF A NATIONAL LEGAL ADVISORY GROUP:  
Before ADF came into existence, Christian, non-Christian religious, and secular legal organizations with common goals

often did not coordinate their separate legal strategies for maximum advantage. As a result, skill, time, and resources were not always effectively used and maximized. Many significant cases were needlessly lost when no person of faith even appeared to defend. ADF continues to enlist specialized attorneys from across the nation as part of its ongoing effort to develop a legal advisory group to assist in the formation legal alliances on various issues. In February 2002, ADF sponsored a "Summit" - several days of meeting with over 45 attorneys to assist ADF and the Grants and Review Committee in identifying litigation and opportunities for current legal precedents; providing input into the case selection process; refining the legal strategies and implementation in those cases; and to coordinate a national strategy in key legal areas for the coming year.

As with the volunteer hours devoted to the Grants and Review Committee meetings, the IRS does not allow ADF to include the value of these donated services as income and as an offsetting expense (although this is permitted by Generally Accepted Accounting Principles). If ADF included these volunteer attorney hours totaling over \$1.4 million, as well as those hours by the Grants and Review Committee and other volunteer research on ADF projects and gifts-in-kind, plus the grant awards retained for future periods (see Line a), TOTAL PROGRAM EXPENDITURES would amount to 85% of total expenditures.

Total of Program Service Expenses (Line f)

**\$9,222,273**

Total of Program Service Expenses (including value of Donated attorneys services, and ADF-Maintained escrow for Grants awarded and Designated Special Projects)

**\$21,259,822**

**Form 990, Part V**

**List of Officers, Directors, Trustees, and Key Employees**

(A) <u>Name/ Address</u>	(B) <u>Title and Avg Hrs per week</u>	(C) <u>Compensation</u>	(D) <u>Contributions to Emp Ben Plans &amp; Def Comp</u>	(E) <u>Expense account and other allow</u>
Tom Minnery Focus on the Family 8605 Explorer Drive Colorado Springs, CO 80920	Chairman 10 hours	0	0	0
Mark Maddoux International Christian Media 2290 Spring Lake Road Dallas, TX 75234	Secretary-Treasurer 2 hours	0	0	0
Clark Hollingsworth Family Life Ministries 3900 N Rodney Parham Little Rock, AR 72212	2 hours	0	0	0
Jim Jenkins Focus on the Family 8605 Explorer Drive Colorado Springs, CO 80920	2 hours	0	0	0
Brad Keirnes Keirnes Companies, LLP 826 Ninth Street, Suite 100 Greeley, CO 80631	2 hours	0	0	0
Dick Mason Motor Racing Outreach Smith Tower Suite 405 5555 Concord Parkway South Harrisburg, North Carolina 28075	1 hour	0	0	0
Dale Nabb 15333 N Pima Rd, Suite 165 Scottsdale, AZ 85260	1 hour	0	0	0
Alan Ross Corporate Development Institute 570 Colonial Park Drive, Suite 300 Roswell, GA 30075	1 hour	0	0	0
Rick Tesch Campus Crusade for Christ 100 Lake Hart Drive, MC 4100 Orlando, FL 32832-0100	1 hour	0	0	0
Melissa Wells-Petry Military Readiness Project P O Box 420 Fort Belvoir, VA 20060	1 hour	0	0	0

## Form 990, Part V

## List of Officers, Directors, Trustees, and Key Employees

(A) <u>Name/ Address</u>	(B) <u>Title and Avg Hrs per week</u>	(C) <u>Compensation</u>	(D) <u>Contributions to Emp Ben Plans &amp; Def Comp</u>	(E) <u>Expense account and other allow</u>
Tom Rogeberg Coral Ridge Ministries 5554 N Federal Highway Fort Lauderdale, FL 33308	1 hour	0	0	0
Alan E Sears 15333 N Pima Rd, Suite 165 Scottsdale, AZ 85260	President & CEO 60+ Hours	\$230,778 **	\$22,768	0
Wayne N Swindler 15333 N Pima Rd, Suite 165 Scottsdale, AZ 85260	COO & CFO 55+ Hours	\$114,682	\$13,763	0

**\*\* Unlike many organizations, ADF's President & CEO does NOT personally receive any honorariums or fees for his numerous speaking engagements and appearances. All Key Employees do not personally receive any outside income or honorariums. Rather all honorariums are received by ADF on its behalf.**

**ADF's Board of Directors increased the President & CEO's annual salary to \$190,000 in March 2000. The Board of Directors independently reviews and sets the President's salary on an annual basis as required by the Evangelical Council for Financial Accountability (ECFA), of which ADF is a member in good standing. It is noted that the President & CEO is not a member of the Board of Directors. The Board also voted to provide the President with a bonus in May 2002 to acknowledge his years of outstanding dedication and performance since the formation of ADF. In October 2001 ADF's Board of Directors authorized payments in 3 installments over 3 years to the President, equal to 132 days of vacation which had been earned by him since the formation of ADF but not used. The first installment was paid in November 2001.**

**According to the Wall Street Journal, in 1999 the median annual compensation of a partner in a law firm of more than 150 attorneys was \$340,000. According to the July 2000 issue of the ABA Journal, entry-level first year associates at some firms are now commanding base salaries of between \$125,000 and \$140,000 per year, not including bonuses, and senior associates are making \$200,000 or more in base salary alone. In a February 2001 report in the New York Times, some first year associates are being paid \$165,000 per year. By way of comparison, Alan Sears' salary more than ten years ago (prior to the formation of ADF and his joining ADF in 1994) exceeded the amount of his 2000-2001 compensation from ADF.**

**Alan Sears has a distinguished career, of more than 20 years, in prosecution and public service. He served as the Chief of the Criminal Division of the Western District of Kentucky and Assistant U.S. Attorney for the U.S. Department of Justice, and as Associate Solicitor for the U.S. Department of Interior. As a prosecutor and Executive Director of the Attorney General's Commission on Pornography, Mr. Sears established himself internationally as a leading expert in the prosecution of obscenity and child pornography.**

**As Executive Director and Legal Counsel for the Children's Legal Foundation and National Family Legal Foundation, Mr. Sears trained thousands of prosecutors and law enforcement officials in the battle against pornography and provided legal assistance to communities, organizations, and individuals nationwide. He testified before the U S Senate, Congress, 22 state legislatures, and British Parliament. Mr. Sears has spoken in 45 states, from college campuses to law schools, before Scotland Yard, and at the Vatican.**

**Among his publications, Mr. Sears is co-author of Time, Place and Manner Regulation of Business Activity and The Preparation and Trial of an Obscenity Case: A Guide for the Prosecuting Attorney. He has been a guest on more than 1,000 national radio and television programs, including 20 appearances on Focus on the Family's national radio broadcast. Mr. Sears also appeared on Nightline, 20/20, Crossfire, Firing Line and The Today Show.**



**ALLIANCE DEFENSE FUND, INC.**  
**Form 990, Schedule A, Part I**  
**Compensation of the Five Highest Paid Employees**  
**Other Than Officers, Directors, and Trustees**

**Federal ID #54-1660459**

(a) Name and address of each employee paid more than \$50,000	(b) Title/Average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefits plans & deferred compensation	(e) Expense account and other allowance
Jordan Lorence 15333 N Pima Rd, Ste 165 Scottsdale, Arizona 85260	Senior Counsel Senior VP Field Services 50+ hours per week	139,927	12,389	-0-
Peter Henderson 15333 N Pima Rd, Ste 165 Scottsdale, Arizona 85260	Development, Western Region 50+ hours per week	114,000	10,576	-0-
Jeffery Ventrella 15333 N Pima Rd, Ste 165 Scottsdale, Arizona 85260	Vice-President of Blackstone Strategic Planning 50+ hours per week	103,119	11,626	-0-
Paul Weber 15333 N Pima Rd, Ste 165 Scottsdale, Arizona 85260	Senior Vice President Development 50+ hours per week	103,000	13,574	-0-
Glen Lavy 15333 N Pima Rd, Ste 165 Scottsdale, Arizona 85260	Executive Director & Legal Counsel 50+ hours per week	100,394	6,857	-0-

According to the Wall Street Journal, the 1999 annual median compensation for chief corporate legal officers was \$220,000 base salary, \$268,913 per year including bonuses. Most of the executives at the Alliance Defense Fund have come from varied business backgrounds where they had earned far in excess of their current compensation levels at ADF. Because of their previous work experience as leaders in government and secular organizations, they are able to provide superior leadership, insight, and knowledge in their positions of responsibility at ADF for a fraction of their secular earning ability, and they work as a team to guide ADF in accomplishing its mission to be a servant organization that provides the resources that will keep the door open for the spread of the Gospel through the legal defense and advocacy of religious freedom, sanctity of life, and family values.

Statement of Functional Expenses, Line 22 Grants and allocations

<u>Category</u>	<u>Organization/Address/Purpose</u>	<u>Amount</u>
RELIGIOUS FREEDOM	North Carolina Foundation for Individual 1420 Longbrook Drive Charlotte NC 85270  Purpose Attorney fees and/or costs	6 637
	American Center for Law and Justice Midwest 8375 New Hope Road New Hope KY 40052  Purpose Attorney fees and/or costs	2 140
	American Center for Law and Justice Southeast 120 Ziegler Circle East Mobile AL 36608  Purpose Attorney fees and/or costs	25 000
	American Center for Law & Justice Northeast 8 South Main Street P O Box 1608 New Milford CT 06776  Purpose Attorney fees and/or costs	1 850
	Christ Center 450 Prairie Street Suite 111 Calumet City IL 60409  Purpose Attorney fees and/or costs	10 000
	Center for Arizona Policy 11000 N Scottsdale Road Suite 1200 Scottsdale AZ 85254  Purpose Attorney fees and/or costs	8 500
	American Center for Law & Justice Northeast 8 South Main Street P O Box 1608 New Milford CT 06776  Purpose Attorney fees and/or costs	4 515
	Center for Arizona Policy 11000 N Scottsdale Road Suite 1200 Scottsdale AZ 85254  Purpose Attorney fees and/or costs	4 903
	American Center for Law and Justice Southeast 120 Ziegler Circle East Mobile AL 36608  Purpose Attorney fees and/or costs	6 400
	American Center for Law & Justice Northeast 8 South Main Street P O Box 1608 New Milford CT 06776  Purpose Attorney fees and/or costs	6 370
	American Center for Law and Justice Southeast 120 Ziegler Circle East Mobile AL 36608  Purpose Attorney fees and/or costs	15 000
	Abundant Love Baptist Church 8158 South Western Ave Chicago IL 60620  Purpose Attorney fees and/or costs	7 500
	Institute for Justice 1001 Pennsylvania Ave NW Suite 200 South Washington D C 20004 2505  Purpose Attorney fees and/or costs	20 000
	Christian Legal Society 4208 Evergreen Lane #222 Annandale VA 22003-3264  Purpose Attorney fees and/or costs	5 000
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810  Purpose Attorney fees and/or costs	5 000

Statement of Functional Expenses, Line 22 Grants and allocations

Category	Organization/Address/Purpose	Amount
RELIGIOUS FREEDOM	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810  Purpose Attorney fees and/or costs	86
	Minnesota Family Institute 2855 Anthony Lane South Suite 150 Minneapolis MN 55418-3265  Purpose Attorney fees and/or costs	845
	The Baton Rouge Rose Society 4145 Goumer Lane Baton Rouge LA 70808  Purpose Attorney fees and/or costs	10 000
	American Center for Law and Justice Southeast 120 Ziegler Circle East Mobile AL 36608  Purpose Attorney fees and/or costs	400
	American Center for Law & Justice West P O Box 64429 Virginia Beach VA 23467  Purpose Attorney fees and/or costs	3 004
	Mississippi Family Council P O Box 13514 Jackson MS 39238  Purpose Attorney fees and/or costs	4 790
	Public Justice Advocates 317 Court Street N E Salem, OR 97301  Purpose Attorney fees and/or costs	2 902
	American Center for Law and Justice Midwest 6375 New Hope Road New Hope KY 40052  Purpose Attorney fees and/or costs	1 880
	Fellowship Foundation Inc 1904 N Adams Street Arlington VA 22201  Purpose Attorney fees and/or costs	10 000
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810  Purpose Attorney fees and/or costs	132
	American Liberties Institute P O Box 547603 Orlando FL 32854  Purpose Attorney fees and/or costs	10 000
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810  Purpose Attorney fees and/or costs	2
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810  Purpose Attorney fees and/or costs	717
	First United Methodist of W Springs 4300 Howard Avenue Western Springs IL 60558  Purpose Attorney fees and/or costs	8 900
	American Center for Law and Justice Midwest 6375 New Hope Road New Hope KY 40052  Purpose Attorney fees and/or costs	9 203
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810  Purpose Attorney fees and/or costs	4 590

Statement of Functional Expenses, Line 22 Grants and allocations

<u>Category</u>	<u>Organization/Address/Purpose</u>	<u>Amount</u>
RELIGIOUS FREEDOM	Liberty Legal Institute 903 E. 18th Street, Suite 230 Plano TX 75074	33,742
	Purpose: Attorney fees and/or costs	
	American Center for Law & Justice Northeast 8 South Main Street P.O. Box 1608 New Milford CT 06778	16,015
	Purpose: Attorney fees and/or costs	
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810	1,888
	Purpose: Attorney fees and/or costs	
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810	58
	Purpose: Attorney fees and/or costs	
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810	203
	Purpose: Attorney fees and/or costs	
	Christ Universal Mission Church 1405 N. Lurie Chicago IL 60651	14,000
	Purpose: Attorney fees and/or costs	
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810	396
	Purpose: Attorney fees and/or costs	
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810	100
	Purpose: Attorney fees and/or costs	
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810	744
	Purpose: Attorney fees and/or costs	
	American Family Association Center for Law & Policy 100 Parkgate Drive Suite 2B Tupelo MS 38804	15,098
	Purpose: Attorney fees and/or costs	
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810	1,418
	Purpose: Attorney fees and/or costs	
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810	700
	Purpose: Attorney fees and/or costs	
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810	8,754
	Purpose: Attorney fees and/or costs	
	North Star Civil Rights Defense Association P.O. Box 770522 Eagle River AK 99577	19,820
	Purpose: Attorney fees and/or costs	
	American Center for Law & Justice Northeast 8 South Main Street P.O. Box 1608 New Milford CT 06778	10,517
	Purpose: Attorney fees and/or costs	
	American Center for Law & Justice Northeast 8 South Main Street P.O. Box 1608 New Milford CT 06778	5,000
	Purpose: Attorney fees and/or costs	

Statement of Functional Expenses, Line 22 Grants and allocations

Category	Organization/Address/Purpose	Amount
RELIGIOUS FREEDOM	American Center for Law and Justice Southeast 120 Zeigler Circle East Mobile AL 36608 Purpose Attorney fees and/or costs	3 891
	American Center for Law & Justice Northeast 8 South Main Street P O Box 1608 New Milford CT 06776 Purpose Attorney fees and/or costs	5 290
	Grace United Methodist Church 2950 Spruce Drive Cheyenne WY 82001 Purpose Attorney fees and/or costs	6 490
	American Center for Law and Justice Midwest 6375 New Hope Road New Hope KY 40052 Purpose Attorney fees and/or costs	6 480
	American Center for Law and Justice Midwest 6375 New Hope Road New Hope KY 40052 Purpose Attorney fees and/or costs	2 080
	American Family Association Center for Law & Policy 100 Parkgate Drive Suite 2B Tupelo MS 38804 Purpose Attorney fees and/or costs	12 455
	Liberty Legal Institute 903 E 18th Street, Suite 230 Plano TX 75074 Purpose Attorney fees and/or costs	20 000
	Family and Freedom Foundation Inc 237 South Street Suite 105 Waukesha WI 53186 Purpose Attorney fees and/or costs	15 000
	Center for Arizona Policy 11000 N Scottsdale Road Suite 1200 Scottsdale AZ 85254 Purpose Attorney fees and/or costs	700
	American Center for Law and Justice Southeast 120 Zeigler Circle East Mobile AL 36608 Purpose Attorney fees and/or costs	12 600
	American Center for Law & Justice Northeast 8 South Main Street P O Box 1608 New Milford CT 06776 Purpose Attorney fees and/or costs	7 800
	Christian Legal Society 4206 Evergreen Lane Suite 222 Annandale VA 22003-3264 Purpose Attorney fees and/or costs	5 000
	St Andrews Church (PCA) 455 Houston Levee Road Cordova TN 38018 Purpose Attorney fees and/or costs	2 098
	St Andrews Church (PCA) 455 Houston Levee Road Cordova TN 38018 Purpose Attorney fees and/or costs	3 636
	Center for Arizona Policy 11000 N Scottsdale Road Suite 1200 Scottsdale AZ 85254 Purpose Attorney fees and/or costs	3 304
	Citizens for Community Values Inc 11175 Reading Road Suite 103 Cincinnati OH 45241 Purpose Attorney fees and/or costs	3 712

Statement of Functional Expenses, Line 22 Grants and allocations

Category	Organization/Address/Purpose	Amount	
RELIGIOUS FREEDOM	Faith Works Milwaukee Inc 3500 West Center Street Milwaukee WI 53210	10 000	
	Purpose Attorney fees and/or costs		
	Public Justice Advocates 317 Court Street N.E. Salem OR 97301	14 649	
	Purpose Attorney fees and/or costs		
	Christian Legal Society 4208 Evergreen Lane #222 Annandale VA 22003-3264	5 000	
	Purpose Attorney fees and/or costs		
	Christian Legal Society 4208 Evergreen Lane #222 Annandale VA 22003-3264	18 297	
	Purpose Attorney fees and/or costs		
	SANCTITY OF LIFE	Life Legal Defense Fund P O Box 2105 Napa CA 94558	1 741
		Purpose Attorney fees and/or costs	
National Institute of Family & Life Advocates P O Box 42080 Fredericksburg VA 22404		10 500	
Purpose Attorney fees and/or costs			
American Center for Law & Justice D C 1850 Diagonal Road 5th floor Alexandria VA 22314		14 250	
Purpose Attorney fees and/or costs			
American Liberties Institute P O Box 547503 Orlando FL 32854		10 861	
Purpose Attorney fees and/or costs			
Texas Justice Foundation 8122 Datapoint, Suite 612 San Antonio TX 78229		2 960	
Purpose Attorney fees and/or costs			
National Legal Center 7 South 6th Street, Suite 208 Terre Haute IN 47807		1 400	
Purpose Attorney fees and/or costs			
American Center for Law and Justice Midwest 6375 New Hope Road New Hope KY 40052		11 348	
Purpose Attorney fees and/or costs			
American Center for Law and Justice Midwest 6375 New Hope Road New Hope KY 40052		25 000	
Purpose Attorney fees and/or costs			
Americans United for Life 310 South Peoria Street, Suite 300 Chicago IL 60607	15 000		
Purpose Attorney fees and/or costs			
National Foundation for Life P O Box 280 Red Bank NJ 07701	40 575		
Purpose Attorney fees and/or costs			
Thomas More Center for Law and Justice 3475 Plymouth Road Suite 100 Ann Arbor MI 48105	10 000		
Purpose Attorney fees and/or costs			
Life Legal Defense Fund P O Box 2105 Napa CA 94558	37 500		
Purpose Attorney fees and/or costs			

Statement of Functional Expenses, Line 22 Grants and allocations

Category	Organization/Address/Purpose	Amount
SANCTITY OF LIFE	American Center for Law & Justice Northeast 8 South Main Street P O Box 1608 New Milford CT 06776  Purpose Attorney fees and/or costs	17 075
	American Family Association Center for Law & Policy 100 Parkgate Drive Suite 2B Tupelo MS 38804  Purpose Attorney fees and/or costs	10 505
	Center for Arizona Policy 11000 N Scottsdale Road Suite 1200 Scottsdale AZ 85254  Purpose Attorney fees and/or costs	5 000
	Christian Legal Society 4208 Evergreen Lane #222 Annandale VA 22003-3264  Purpose Attorney fees and/or costs	30 000
	American Center for Law & Justice Northeast 8 South Main Street P O Box 1608 New Milford CT 06776  Purpose Attorney fees and/or costs	15 000
	American Center for Law & Justice Atlanta 2385 -C Lawrenceville Highway Decatur GA 30033  Purpose Attorney fees and/or costs	7 600
	Catholic University of America Columbus School of Law Catholic University of America Office of the Faculty Washington D C 20064  Purpose Attorney fees and/or costs	10 125
	Catholic University of America Columbus School of Law Catholic University of America Office of the Faculty Washington D C 20064  Purpose Attorney fees and/or costs	24 187
	Christian Legal Society 4208 Evergreen Lane #222 Annandale VA 22003-3264  Purpose Attorney fees and/or costs	24 940
	Minnesota Family Institute 2855 Anthony Lane South Suite 150 Minneapolis MN 55418-3265  Purpose Attorney fees and/or costs	8 076
FAMILY VALUES	American Center for Law & Justice Northeast 8 South Main Street P O Box 1608 New Milford CT 06776  Purpose Attorney fees and/or costs	625
	Minnesota Family Institute 2855 Anthony Lane South Suite 150 Minneapolis MN 55418-3265  Purpose Attorney fees and/or costs	887
	American Liberties Institute P O Box 547503 Orlando FL 32854  Purpose Attorney fees and/or costs	8 539
	Minnesota Family Institute 2855 Anthony Lane South Suite 150 Minneapolis MN 55418-3265  Purpose Attorney fees and/or costs	879
	Catholic University of America Columbus School of Law Catholic University of America Office of the Faculty Washington D C 20064  Purpose Attorney fees and/or costs	30 000

Statement of Functional Expenses, Line 22 Grants and allocations

Category	Organization/Address/Purpose	Amount
FAMILY VALUES	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810	43
	Purpose Attorney fees and/or costs	
	Citizens for the Preservation of Constitu 306 Danmouth Street Boston MA 02116	2 910
	Purpose Attorney fees and/or costs	
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810	22
	Purpose Attorney fees and/or costs	
	Family and Freedom Foundation Inc 237 South Street Suite 105 Waukesha WI 53188	26 200
	Purpose Attorney fees and/or costs	
	Thomas More Center for Law and Justice 3475 Plymouth Road Suite 100 Ann Arbor MI 48106	15 000
	Purpose Attorney fees and/or costs	
	Citizens for Community Values Inc 11175 Reading Road Suite 103 Cincinnati OH 45241	9 992
	Purpose Attorney fees and/or costs	
	Center for Arizona Policy 11000 N Scottsdale Road Suite 1200 Scottsdale AZ 85254	1,200
	Purpose Attorney fees and/or costs	
	Citizens for Community Values Inc 11175 Reading Road Suite 103 Cincinnati OH 45241	14 547
	Purpose Attorney fees and/or costs	
	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810	4 962
	Purpose Attorney fees and/or costs	
	Citizens for Community Values Inc 11175 Reading Road Suite 103 Cincinnati OH 45241	9 468
	Purpose Attorney fees and/or costs	
North Star Civil Rights Defense Association P O Box 770522 Eagle River AK 99577	15 000	
Purpose Attorney fees and/or costs		
Citizens for Community Values Inc 11175 Reading Road Suite 103 Cincinnati OH 45241	5 496	
Purpose Attorney fees and/or costs		
Center for Arizona Policy 11000 N Scottsdale Road Suite 1200 Scottsdale AZ 85254	5 000	
Purpose Attorney fees and/or costs		
Christian Legal Society 4208 Evergreen Lane #222 Annandale VA 22003-3264	6 500	
Purpose Attorney fees and/or costs		
Catholic University of America Columbus School of Law Catholic University of America Office of the Faculty Washington D C 20064	9 625	
Purpose Attorney fees and/or costs		
Pennsylvania Family Institute 1240 N Mountain Road Harrisburg PA 17112	6 030	
Purpose Attorney fees and/or costs		



Statement of Functional Expenses, Line 22 Grants and allocations

Category	Organization/Address/Purpose	Amount
FAMILY VALUES	Citizens for Community Values Inc 11175 Reading Road Suite 103 Cincinnati OH 45241  Purpose Attorney fees and/or costs	2 889
LEGAL TRAINING OR EDUCATION	Minnesota Family Institute 2855 Anthony Lane South Suite 150 Minneapolis MN 55416-3265  Purpose Book	5 000
OTHER	Free Speech Coalition 8180 Greensboro Drive #8 McLean VA 22102 3860  Subtotal	2 000  1 002 178
Grant Funds Returned and Court Awarded Reimbursements		(183 111)
Block Grants	Liberty Counsel 1900 Summit Tower Blvd Suite 540 Orlando FL 32810  Purpose Attorney fees and/or costs  American Center for Law and Justice Midwest 6375 New Hope Road New Hope KY 40052  Purpose Attorney fees and/or costs  American Family Association Center for Law & Policy 100 Parkgate Drive Suite 2B Tupelo MS 38804  Purpose Attorney fees and/or costs	500 000  41 250  400 000
Equal Access Projects	Christian Legal Society 4208 Evergreen Lane #222 Annandale VA 22003-3264  Purpose Attorney fees and/or costs	6 654
Designated Projects	American Center for Law & Justice 1000 Regent University Drive Roberts Hall #422 Virginia Beach VA 23464  Purpose Attorney fees and/or costs  Catholic University of America Columbus School of Law Office of the Faculty Washington D C 20064  Purpose Attorney fees and/or costs  Free Congress Foundation 717 Second Street NE Washington D C  Tulsa Cornerstone Assistance Network 1314 South Quaker Ave Tulsa OK 74120-5214  Media Training  Law School Student Grants  Volunteer Attorney Court Costs	149 675  34 150  3 100  3 340  40 095  20 000  6 859
<b>Total Grants</b>		<b><u>2,044,182</u></b>

**Part II Statement of Functional Expenses**  
**Line 43, Other Expenses**

Other expenses	(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
Staff Training	24,797	12,502	6,901	5,394
Financial Service Charges	31,235	0	0	31,235
Other Grant expenses	15,499	12,999	2,500	0
Printing & Reproduction	22,221	7,443	8,295	6,483
Educational Special Events	361,911	218,429	13,841	129,641
Direct Mail Education	4,266,971	3,452,049	517,647	297,275
Alliance Data Maintenance	307,332	0	0	307,332
Legal Program Events	1,352,003	1,344,264	4,206	3,533
Moving & Related	52,834	41,841	0	10,993
Software	19,422	9,792	5,406	4,224
Miscellaneous	2,403	1,984	257	162
<b>Total</b>	<b>6,456,628</b>	<b>5,101,303</b>	<b>559,053</b>	<b>796,272</b>

**Part IV Balance Sheet**  
**Line 54, Investments - Securities**

Line 54 – Investments - Securities:	Beginning of Year	End of Year
Sunrise Tech, 2000 shares	165	0
Donlar Corp, 30,000 shares	1	0
T Rowe Price Mutual Fund, 132 35 shares	0	2,627
Equity Income Fund	8,314	0
Franklin Templeton Fund, 103 2 shares	2,008	1,858
Franklin Templeton Fund, 213 9 shares	2,008	3,850
GE Stock, 11 3437 shares	0	369
Amer Telesources Intl, 10,000 shares	15,000	1,600
Plum Creek Timber, 327 shares	0	10,039
US Treas Money Fund, 136,031 shares	0	4,982
ACG, 230 shares	0	2,760
Lynx Therapeutics, 558 shares	0	720
Invesco-Equity Income Fund, 34 shares	541	0
SJM, 4 shares	0	136
PG, 5 shares	0	461
Eastman Kodak, 20 shares	589	0
Bellsouth Corp, 10 shares	355	0
<b>Total</b>	<b>28,981</b>	<b>29,402</b>

**Form 990**

**Part VI Other Information**

**Question 90a – List of states with which a copy of return is filed**

**Alabama**

**Arizona**

**Connecticut**

**Illinois**

**Kansas**

**Maine**

**Michigan**

**Missouri**

**New York**

**Ohio**

**Pennsylvania**

**South Dakota**

**Vermont**

**West Virginia**

**Alaska**

**California**

**Florida**

**Indiana**

**Kentucky**

**Maryland**

**Minnesota**

**New Hampshire**

**North Carolina**

**Oklahoma**

**Rhode Island**

**Tennessee**

**Virginia**

**Wisconsin**

**Arkansas**

**Colorado**

**Georgia**

**Iowa**

**Louisiana**

**Massachusetts**

**Mississippi**

**New Mexico**

**North Dakota**

**Oregon**

**South Carolina**

**Utah**

**Washington**

**Part I, Line 8c, Gain or (Loss) from sales of assets**

Column (A) Donated Publicly Traded Securities

Gross sales price	\$ 577,483
Less Basis (FMV when donated)	<u>623,122</u>
Gain or (Loss) from sale	<u>(\$45,639)</u>

Column (B) Other – Miscellaneous Fixed Assets

Gross sales price at disposal	\$ 563
Less Basis (Net Asset Value)	<u>(2,035)</u>
Loss from sale	<u>(\$ 1,472)</u>

**Part IV, Balance Sheet, Line 50, Receivables from officers, directors, and key employees**

	Beginning <u>of Year</u>	End <u>of Year</u>
Business Travel Advances	\$5,550	\$12,180
Relocation Loan **	<u>-0-</u>	<u>41,780</u>
Totals	<u>\$5,550</u>	<u>\$53,960</u>

\*\* Borrower Jordan Lorence, Senior Vice President & Senior Counsel  
Loan amount at June 30, 2002 \$41,780  
Date of Note April 22, 2002  
Maturity Date April 22, 2007  
Repayment Terms 20% of outstanding balance on anniversary date  
Interest Rate 4 65% Annual Mid-term AFR (Rev Rul 2002-17)  
Security None  
Purpose Relocation to corporate headquarters in Arizona  
Consideration Down payment, closing costs, related housing expenses

**ALLIANCE DEFENSE FUND, INC.**

**Federal ID #54-1660459**

**Form 990**

**Part II, line 42, Depreciation & Part IV, line 57b, Accumulated Depreciation**

<u>Description of Equipment</u>	<u>Purchase Date</u>	<u>Cost</u>	<u>Deprec. Exp. 2002</u>	<u>Life</u>	<u>Accum Deprec.</u>	<u>Book Value</u>	
Computer Equipment	1993	14,303	0 00	5	14,303	0	
Computer Equipment	1994	16,241	0 00	5	14,296	1,945	
Less Disposal		(3,968)			(2,022)	(1,945)	
Other Fixed Assets	1994	13,853	0 00	5	13,853	0	
Computer Equipment	1995	5,782	0 00	5	4,562	1,220	
Less Disposal		(1,785)			(565)	(1,220)	
Computer Equipment	1996	9,202	181 01	5	7,955	1,067	
Less Disposal		(1,392)			(325)	(1,067)	
Other Fixed Assets	1996	4,536	257 62	5	3,377	901	
Computer Equipment	1997	18,617	2,864 67	5	13,321	2,432	
Less Disposal		(2,057)			(274)	(1,783)	
Other Fixed Assets	1997	63,417	5,900 00	5	31,195	26,323	
Less Disposal		(33,917)			(9,045)	(24,873)	
Computer Equipment	1/1 - 6/30/98	9,384	1,876 87	5	6,305	1,203	
Other Fixed Assets	1/1 - 6/30/98	8,242	824 23	5	2,816	4,602	
Computer Equipment	FYE 6/30/99	31,909	6381 79	5	15,401	10,126	
Other Fixed Assets	FYE 6/30/99	41,897	818 87	5	20,642	20,437	
Less Disposal		(38,215)			(12,738)	(25,477)	
Computer Equipment	FYE 6/30/00	51,309	9,593 88	5	14,477	27,239	
Less Disposal		(2,035)			(237)	(1,797)	
Other Fixed Assets	FYE 6/30/00	80,757	15,269 55	5	19,595	45,892	
Computer Equipment	FYE 6/30/01	89,213	17,469 50	5	7,552	64,191	
Other Fixed Assets	FYE 6/30/01	166,917	18,835 09	5	6,788	141,294	
Computer Equipment	FYE 6/30/02	41,141	4,517 72	5		36,623	
Other Fixed Assets	FYE 6/30/02	206,748	13,739 33	5		193,009	
Leasehold Improvements	FYE 6/30/02	38,035	4,437 47	5		33,598	
						0	
		<u>828,135</u>			<u>553,939</u>		
			<u>102,968</u>	+	171,228	=	<u>274,196</u>
			<b>Part II, line 42</b>		<b>Part IV, line 57b</b>		

Note Straight Line method of depreciation used for all assets

- If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only Part II and check this box  **Note Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868**
- If you are filing for an **Automatic 3-Month Extension**, complete only Part I (on page 1)

**Part II Additional (not automatic) 3-Month Extension of Time—Must File Original and One Copy.**

Type or print  File by the extended due date for filing the return See instructions	Name of Exempt Organization <b>ALLIANCE DEFENSE FUND, INC</b>	Employer identification number <b>54 ; 1660459</b>
	Number street and room or suite no. If a P O box see instructions <b>15333 NORTH PIMA ROAD, SUITE 165</b>	For IRS use only
	City town or post office state, and ZIP code For a foreign address, see instructions <b>SCOTTSDALE, ARIZONA 85260</b>	

Check type of return to be filed (File a separate application for each return)

- Form 990     Form 990-EZ     Form 990-T (sec 401(a) or 408(a) trust)     Form 1041-A     Form 5227     Form 8870
- Form 990-BL     Form 990-PF     Form 990-T (trust other than above)     Form 4720     Form 6069

**STOP Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868**

- If the organization does **not** have an office or place of business in the United States, check this box
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_ If this is for the **whole** group, check this box  If it is for **part** of the group, check this box  and attach a list with the names and EINs of all members the extension is for

- I request an additional 3-month extension of time until MAY 15, 2003
- For calendar year \_\_\_\_\_, or other tax year beginning JULY 1, 2001 and ending JUNE 30, 2002
- If this tax year is for less than 12 months, check reason  Initial return  Final return  Change in accounting period
- State in detail why you need the extension  
**Need additional time to prepare all required schedules**

- If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits See instructions \$ \_\_\_\_\_
- If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868 \$ \_\_\_\_\_
- Balance Due** Subtract line 8b from line 8a Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System) See instructions \$ \_\_\_\_\_

**Signature and Verification**

Under penalties of perjury I declare that I have examined this form including accompanying schedules and statements and to the best of my knowledge and belief it is true correct and complete and that I am authorized to prepare this form

Signature Vicki L. Sanders Title CPA Date 2/4/03

**Notice to Applicant—To Be Completed by the IRS**

- We have approved this application Please attach this form to the organization's return
- We have not approved this application However we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions) This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return Please attach this form to the organization's return
- We have not approved this application After considering the reasons stated in item 7, we cannot grant your request for an extension of time to file We are not granting a 10-day grace period
- We cannot consider this application because it was filed after the due date of the return for which an extension was requested
- Other \_\_\_\_\_

**EXTENSION APPROVED**  
FEB 7 9 2003

Director \_\_\_\_\_ By \_\_\_\_\_

**Alternate Mailing Address** — Enter the address if you want the copy of this application for an additional 3-month extension returned to an address different than the one entered above

Type or print	Name
	Number and street (include suite, room, or apt no) Or a P O box number
	City or town, province or state, and country (including postal or ZIP code)

## Application for Extension of Time To File an Exempt Organization Return

▶ File a separate application for each return.

- If you are filing for an Automatic 3-Month Extension, complete only Part I and check this box
  - If you are filing for an Additional (not automatic) 3-Month Extension, complete only Part II (on page 2 of this form)
- Note: Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.

**Part I** Automatic 3-Month Extension of Time—Only submit original (no copies needed)  
 Note: Form 990-T corporations requesting an automatic 6-month extension—check this box and complete Part I only   
 All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns. Partnerships, REMICs and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041

Type or print	Name of Exempt Organization <b>Alliance Defense Fund</b>	Employer identification number <b>54: 1860459</b>
File by the due date for filing your return. See instructions	Number, street, and room or suite no. If a P.O. box, see instructions <b>15333 North Pima Road, Suite 165</b>	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions <b>Scottsdale, Arizona 85260</b>	

Check type of return to be filed (file a separate application for each return)

- |  |   |                                    |
|--|---|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation)                 | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL         | <input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ         | <input type="checkbox"/> Form 990-T (trust other than above)      | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF         | <input type="checkbox"/> Form 1041-A                              | <input type="checkbox"/> Form 8870 |

- If the organization does not have an office or place of business in the United States check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_ If this is for the whole group, check this box  If it is for part of the group, check this box  and attach a list with the names and EINs of all members the extension will cover

1 I request an automatic 3-month (6-month, for 990-T corporation) extension of time until February 15, 2003, to file the exempt organization return for the organization named above. The extension is for the organization's return for:  
 ▶  calendar year 20... or  
 ▶  tax year beginning July 1, 2001, and ending June 30, 2002

2 If this tax year is for less than 12 months, check reason.  Initial return  Final return  Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions. \$ \_\_\_\_\_

b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit. \$ \_\_\_\_\_

c Balance Due. Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions. \$ 0

### Signature and Verification

Under penalties of perjury I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ Vicki L. Sanders Title ▶ CPA Date ▶ 11/15/02