

FREEDOM IN CHRIST MINISTRIES

Financial Statements

December 31, 2017 and 2016



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Financial Statements  
December 31, 2017 and 2016

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## Independent Auditors' Report

To the Board of Directors  
Freedom in Christ Ministries  
Knoxville, Tennessee

We have audited the accompanying financial statements of Freedom in Christ Ministries (the "Ministry") (a Tennessee nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

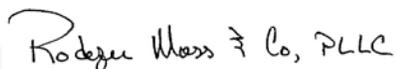
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Ministry's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Freedom in Christ Ministries as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Rodefer Moss & Co, PLLC

Knoxville, Tennessee  
June 26, 2018

FREEDOM IN CHRIST MINISTRIES  
 Statements of Financial Position  
 December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 398,638	\$ 388,741
Inventory	46,935	41,610
Accounts receivable	1,317	192
Prepaid expenses	<u>13,095</u>	<u>8,406</u>
Total current assets	459,985	438,949
Property and equipment, net	<u>15,927</u>	<u>1,774</u>
Total assets	<u>\$ 475,912</u>	<u>\$ 440,723</u>
 <b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 40,964	\$ 35,717
Accrued expenses and other liabilities	<u>96,171</u>	<u>103,971</u>
Total current liabilities	<u>137,135</u>	<u>139,688</u>
 <b>NET ASSETS</b>		
Temporarily restricted	222,391	206,905
Unrestricted	<u>116,386</u>	<u>94,130</u>
Total net assets	<u>338,777</u>	<u>301,035</u>
Total liabilities and net assets	<u>\$ 475,912</u>	<u>\$ 440,723</u>

See notes to financial statements.

FREEDOM IN CHRIST MINISTRIES  
 Statements of Activities and Changes in Net Assets  
 Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets		
Support and Revenues		
Sales of books and tapes, net of cost of materials of \$184,615 and \$196,747	\$ 28,783	\$ 50,559
Contributions	207,802	191,942
Conference and events	1,080	2,666
Community freedom ministry	46,309	43,919
Field staff administration	109,450	97,748
Royalty	786	1,941
Other	<u>1,490</u>	<u>2,079</u>
Total unrestricted support and revenues	395,700	390,854
Net assets released from restrictions		
Restrictions satisfied by payments	<u>1,137,459</u>	<u>1,050,932</u>
Total unrestricted support, revenues, and reclassifications	<u>1,533,159</u>	<u>1,441,786</u>
Expenses		
Field ministry	1,147,142	1,060,422
Other compensation and benefits	200,974	201,288
General and administrative	111,858	98,488
Development	21,836	18,430
Conference and event	601	21,818
Depreciation	6,496	507
Community freedom ministry	<u>21,996</u>	<u>17,468</u>
Total expenses	<u>1,510,903</u>	<u>1,418,421</u>
Increase in unrestricted net assets	<u>22,256</u>	<u>23,365</u>
Temporarily Restricted Net Assets		
Field ministry support and events	1,152,945	1,058,953
Net assets released from restrictions	<u>(1,137,459)</u>	<u>(1,050,932)</u>
Increase in temporarily restricted net assets	<u>15,486</u>	<u>8,021</u>
Change in net assets	37,742	31,386
Net assets at the beginning of the year	<u>301,035</u>	<u>269,649</u>
Net assets at the end of the year	<u>\$ 338,777</u>	<u>\$ 301,035</u>

FREEDOM IN CHRIST MINISTRIES  
 Statements of Cash Flows  
 Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 37,742	\$ 31,386
Adjustments to reconcile change in net assets to cash flows from operating activities		
Depreciation	6,496	507
Decrease (increase) in assets		
Inventory	(5,325)	7,163
Accounts receivable	(1,125)	(192)
Prepaid expenses	(4,689)	(1,120)
Increase (decrease) in liabilities		
Accounts payable	5,247	(7,451)
Accrued expenses and other liabilities	<u>(7,800)</u>	<u>39,859</u>
Net cash flows from operating activities	<u>30,546</u>	<u>70,152</u>
 Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>(20,649)</u>	<u>(2,281)</u>
Net cash flows from investing activities	(20,649)	(2,281)
 Net change in cash and cash equivalents	9,897	67,871
 Cash and cash equivalents at the beginning of the year	<u>388,741</u>	<u>320,870</u>
 Cash and cash equivalents at the end of the year	<u>\$ 398,638</u>	<u>\$ 388,741</u>

See notes to financial statements.

## FREEDOM IN CHRIST MINISTRIES

Notes to Financial Statements

December 31, 2017 and 2016

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities** - Freedom in Christ Ministries (the “Ministry”) is a nonprofit corporation, under Internal Revenue Code Section 501(c)(3), which was formed on April 13, 1989 in order to establish an international and interdenominational Christian ministry. The Ministry’s national office is located in Knoxville, Tennessee. The Ministry sponsors conferences and seminars and provides resources and training for various churches and evangelical missionary organizations internationally.

**Basis of Presentation** - The presentation of the financial statements follows accounting principles generally accepted in the United States of America (“GAAP”). Under GAAP, the Ministry is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Use of Estimates and Assumptions** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**Cash and Cash Equivalents** - For purposes of the Statements of Cash Flows, the Ministry considers all highly liquid investments with original maturity of three months or less, and readily convertible into cash without significant loss due to penalties or interest to be cash and cash equivalents.

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Ministry has never experienced any losses related to these balances.

**Inventory** - Inventory consists of books, teaching materials, and other saleable items that are valued at the lower of cost or market, using the first-in, first-out method. A reserve is not deemed necessary by management as of December 31, 2017 and 2016.

**Property and Equipment** - Property and equipment are stated at cost and depreciation is provided over the estimated useful lives of the assets on a straight-line basis. Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred. Depreciation expense for the years ended December 31, 2017 and 2016 was \$6,496 and \$507, respectively. Depreciation is allocated among the program and supporting services benefited. Property and equipment is depreciated from 3 to 5 years.

**Revenue Recognition** - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and nature of any donor restrictions. All donor-restricted net assets are reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. During the years ended December 31, 2017 and 2016 there were no contributions received that were classified as permanently restricted.

**Functional Classification of Expenses** - Functional classifications of expenses are based upon the guidance included in the *Audit and Accounting Guide for Not-For-Profit Organizations*, issued by the American Institute of Certified Public Accountants. The Ministry incurs costs and expenses related to its program services and supporting activities, such as fundraising and management. Expenses that are directly related to, and can be assigned to, program services or a single supporting activity are charged directly to such function. Expenses that are related to more than one function are allocated among the appropriate functions. The most significant of the Ministry’s joint costs are the costs associated with other compensation and benefits. The Ministry allocates these joint costs primarily using proportional methods based on the time expended by personnel on the various functions.

FREEDOM IN CHRIST MINISTRIES  
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

**Net Asset Classification** - Net assets are classified into two components as defined below:

- *Temporarily restricted net assets* - This component of net assets consists of restrictions placed on net assets used through external constraints imposed by creditors, grantors, contributors, or laws or regulations or other governments or restrictions imposed by law through constitutional provisions or enabling legislation. At December 31, 2017 and 2016, temporarily restricted net assets totaled \$222,391 and \$206,905 which was made up of contributions for the field ministry staff.
- *Unrestricted net assets* - This component of net assets consists of net assets that do not meet the definition of “temporarily restricted”. These net assets are available for current use by the Ministry.

**Date of Management’s Review** - Management has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2017, for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through the date of the report, which is the date these financial statements were available to be issued.

NOTE 2 - RELATED PARTY TRANSACTIONS

The Ministry receives royalty income from the sale of books and tapes that are written by several members of the Ministry’s staff. Royalty income for the years ended December 31, 2017 and 2016 was \$786 and \$1,941, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 255,484	\$ 234,835
Leasehold improvements	<u>5,630</u>	<u>5,630</u>
Total property and equipment	261,114	240,465
Less accumulated depreciation	<u>245,187</u>	<u>238,691</u>
Net property and equipment	<u>\$ 15,927</u>	<u>\$ 1,774</u>

NOTE 4 - LINE OF CREDIT

The Ministry has a \$50,000 unsecured working capital line of credit. The line of credit bears interest at a variable rate, prime rate plus 3% (6.25% at December 31, 2017 and 2016). As of December 31, 2017 and 2016, there were no amounts outstanding on the line of credit.

FREEDOM IN CHRIST MINISTRIES  
Notes to Financial Statements (Continued)

NOTE 5 - INCOME TAXES

The Ministry is exempt from Federal income tax under Internal Revenue Code Section 501(c)(3). The Ministry is subject, however, to Federal income tax on unrelated business income as stipulated in Internal Revenue Code Section 511 and Regulation Section 1.511. During the years ended December 31, 2017 and 2016, the Ministry had no activities unrelated to its exempt purpose, and therefore, incurred no tax liability due to unrelated business income.

The Ministry has evaluated its uncertain tax positions using the provisions of the standards. Accordingly, a loss contingency will be recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management's judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Although the tax years ending December 31, 2014 through December 31, 2017 remain open for examination by various taxing authorities, it is management's opinion that no significant uncertain tax positions exist at December 31, 2017.

NOTE 6 - FUNCTIONAL EXPENSE ALLOCATION

Expenses are reported on the statement of activities and changes in net assets based on classifications most useful to management. Expense allocation among program and supporting services benefited is as follows:

	<u>2017</u>	<u>2016</u>
Program services	\$ 1,361,955	\$ 1,281,052
General and administrative	73,950	69,687
Fundraising	<u>74,998</u>	<u>67,682</u>
Total	<u>\$ 1,510,903</u>	<u>\$ 1,418,421</u>

Joint cost allocated for the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>			
	Program	General and administrative	Fundraising	Total
Field ministry	\$ 1,147,142	\$ -	\$ -	\$ 1,147,142
Other compensation and benefits	116,565	52,253	32,156	200,974
General and administrative	66,891	18,680	26,287	111,858
Development	6,551	873	14,412	21,836
Conference and event expenses	601	-	-	601
Depreciation	2,209	2,144	2,144	6,496
Community freedom ministry	<u>21,996</u>	<u>-</u>	<u>-</u>	<u>21,996</u>
Total	<u>\$ 1,361,955</u>	<u>\$ 73,950</u>	<u>\$ 74,998</u>	<u>\$ 1,510,903</u>

FREEDOM IN CHRIST MINISTRIES  
Notes to Financial Statements (Continued)

NOTE 6 - FUNCTIONAL EXPENSE ALLOCATION - (Continued)

	2016			
	Program	General and administrative	Fundraising	Total
Field ministry	\$ 1,060,422	\$ -	\$ -	\$ 1,060,422
Other compensation and benefits	116,746	52,335	32,207	201,288
General and administrative	58,897	16,447	23,144	98,488
Development	5,529	738	12,163	18,430
Conference and event expenses	21,818	-	-	21,818
Depreciation	172	167	168	507
Community freedom ministry	17,468	-	-	17,468
Total	\$ 1,281,052	\$ 69,687	\$ 67,682	\$ 1,418,421

NOTE 7- LEASE OBLIGATIONS

The Ministry leases office space for their international office location. The office space is under an agreement that expires in 2019. Rental expense for the office totaled \$28,442 and \$26,648 in 2017 and 2016. A summary of the future minimum lease payments as of December 31, 2017, is as follows:

2018	\$ 27,954
2019	21,553
Total minimum lease payments	\$ 49,507