

FREEDOM IN CHRIST MINISTRIES

Financial Statements

Years Ended December 31, 2015 and 2014



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Financial Statements
Years Ended December 31, 2015 and 2014

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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, 2015 and 2014, and the related statements of activities 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 auditor's 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, 2015 and 2014, 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 29, 2016

FREEDOM IN CHRIST MINISTRIES
 Statements of Financial Position
 December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 320,870 | \$ 237,974 |
| Inventory | 48,773 | 49,434 |
| Accounts receivable | - | 6,019 |
| Prepaid expenses | <u>7,286</u> | <u>6,520</u> |
| Total current assets | 376,929 | 299,947 |
| Property and equipment, net | <u>-</u> | <u>13</u> |
| Total assets | <u>\$ 376,929</u> | <u>\$ 299,960</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | \$ 43,168 | \$ 75,014 |
| Accrued expenses and other liabilities | <u>64,112</u> | <u>63,395</u> |
| Total current liabilities | <u>107,280</u> | <u>138,409</u> |
| NET ASSETS | | |
| Temporarily restricted | 198,884 | 108,783 |
| Unrestricted | <u>70,765</u> | <u>52,768</u> |
| Total net assets | <u>269,649</u> | <u>161,551</u> |
| Total liabilities and net assets | <u>\$ 376,929</u> | <u>\$ 299,960</u> |

FREEDOM IN CHRIST MINISTRIES
 Statements of Activities
 Years Ended December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Unrestricted Net Assets | | |
| Support and Revenues | | |
| Sales of books and tapes, net of cost of materials of \$192,493 and \$212,905 | \$ 25,250 | \$ 15,149 |
| Contributions | 185,449 | 152,933 |
| Conference and events | 2,051 | 66,817 |
| Community freedom ministry | 50,424 | 62,692 |
| Field staff administration | 86,277 | 73,825 |
| Royalty | - | 6,213 |
| Other | <u>20</u> | <u>5</u> |
| Total unrestricted support and revenues | 349,471 | 377,634 |
| Net assets released from restrictions | | |
| Restrictions satisfied by payments | <u>825,818</u> | <u>800,691</u> |
| Total unrestricted support, revenues and reclassifications | <u>1,175,289</u> | <u>1,178,325</u> |
| Expenses | | |
| Field ministry | 835,732 | 807,274 |
| Other compensation and benefits | 186,104 | 184,898 |
| General and administrative | 95,770 | 92,384 |
| Development | 15,600 | 13,508 |
| Conference and event | 4,383 | 67,651 |
| Depreciation | 13 | 5,720 |
| Community freedom ministry | <u>19,690</u> | <u>21,959</u> |
| Total expenses | <u>1,157,292</u> | <u>1,193,394</u> |
| Increase (decrease) in unrestricted net assets | <u>17,997</u> | <u>(15,069)</u> |
| Temporarily Restricted Net Assets | | |
| Field ministry support and events | 915,919 | 805,484 |
| Net assets released from restrictions | <u>(825,818)</u> | <u>(800,691)</u> |
| Increase in temporarily restricted net assets | <u>90,101</u> | <u>4,793</u> |
| Change in net assets | 108,098 | (10,276) |
| Net assets at the beginning of the year | <u>161,551</u> | <u>171,827</u> |
| Net assets at the end of the year | <u>\$ 269,649</u> | <u>\$ 161,551</u> |

FREEDOM IN CHRIST MINISTRIES
 Statements of Cash Flows
 Years Ended December 31, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ 108,098 | \$ (10,276) |
| Adjustments to reconcile change in net assets to cash flows from operating activities | | |
| Depreciation | 13 | 5,720 |
| Decrease (increase) in assets | | |
| Inventory | 661 | (3,787) |
| Accounts receivable | 6,019 | (5,548) |
| Prepaid expenses | (766) | 2,796 |
| Increase (decrease) in liabilities | | |
| Accounts payable | (31,846) | 44,536 |
| Accrued expenses and other liabilities | <u>717</u> | <u>(2,137)</u> |
| Net cash flows from operating activities | <u>82,896</u> | <u>31,304</u> |
| Net change in cash and cash equivalents | 82,896 | 31,304 |
| Cash and cash equivalents at the beginning of the year | <u>237,974</u> | <u>206,670</u> |
| Cash and cash equivalents at the end of the year | <u>\$ 320,870</u> | <u>\$ 237,974</u> |

See notes to financial statements.

FREEDOM IN CHRIST MINISTRIES

Notes to Financial Statements

December 31, 2015 and 2014

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 international 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 as of December 31, 2015 and 2014.

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, 2015 and 2014 was \$13 and \$5,720, 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, 2015 and 2014 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 use 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, 2015 and 2014, temporarily restricted net assets totaled \$198,884 and \$108,783, 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, 2015, 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, 2015 and 2014 was \$0 and \$6,213, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------|----------------|----------------|
| Office equipment | \$ 232,555 | \$ 232,555 |
| Leasehold improvements | <u>5,630</u> | <u>5,630</u> |
| Total property and equipment | 238,185 | 238,185 |
| Less accumulated depreciation | <u>238,185</u> | <u>238,172</u> |
| Net property and equipment | <u>\$ -</u> | <u>\$ 13</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, 2015 and 2014). As of December 31, 2015 and 2014, 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, 2015 and 2014, 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, 2012 through December 31, 2015 remain open for examination by various taxing authorities, it is management's opinion that no significant uncertain tax positions exist at December 31, 2015.

NOTE 6 - FUNCTIONAL EXPENSE ALLOCATION

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

| | <u>2015</u> | <u>2014</u> |
|----------------------------|---------------------|---------------------|
| Program services | \$ 1,029,699 | \$ 1,065,368 |
| General and administrative | 65,009 | 65,929 |
| Fundraising | <u>62,583</u> | <u>62,097</u> |
| Total | <u>\$ 1,157,291</u> | <u>\$ 1,193,394</u> |

Joint cost allocated for the years ended December 31, 2015 and 2014 were as follows:

| | <u>2015</u> | | | |
|---------------------------------|---------------------|---------------------------------------|--------------------|---------------------|
| | <u>Program</u> | <u>General and administrative</u> | <u>Fundraising</u> | <u>Total</u> |
| Field ministry | \$ 835,732 | \$ - | \$ - | \$ 835,732 |
| Other compensation and benefits | 107,940 | 48,387 | 29,777 | 186,104 |
| General and administrative | 57,270 | 15,994 | 22,505 | 95,770 |
| Development | 4,680 | 625 | 10,296 | 15,600 |
| Conference and event expenses | 4,383 | - | - | 4,383 |
| Depreciation | 4 | 4 | 5 | 13 |
| Community freedom ministry | <u>19,690</u> | <u>-</u> | <u>-</u> | <u>19,690</u> |
| Total | <u>\$ 1,029,699</u> | <u>\$ 65,009</u> | <u>\$ 62,583</u> | <u>\$ 1,157,292</u> |

FREEDOM IN CHRIST MINISTRIES
Notes to Financial Statements (Continued)

NOTE 6 - FUNCTIONAL EXPENSE ALLOCATION - (Continued)

| | 2014 | | | |
|---------------------------------|---------------------|-------------------------------|------------------|---------------------|
| | Program | General and administrative | Fundraising | Total |
| Field ministry | \$ 807,274 | \$ - | \$ - | \$ 807,274 |
| Other compensation and benefits | 107,241 | 48,073 | 29,584 | 184,898 |
| General and administrative | 55,246 | 15,428 | 21,710 | 92,384 |
| Development | 4,052 | 541 | 8,915 | 13,508 |
| Conference and event expenses | 67,651 | - | - | 67,651 |
| Depreciation | 1,945 | 1,887 | 1,888 | 5,720 |
| Community freedom ministry | 21,959 | - | - | 21,959 |
| Total | <u>\$ 1,065,368</u> | <u>\$ 65,929</u> | <u>\$ 62,097</u> | <u>\$ 1,193,393</u> |

NOTE 7- LEASE OBLIGATIONS

The Ministry leases office space for their international office location. The office space is under an agreement that expires in 2016. Rental expense for the office totaled \$25,792 and \$24,558 in 2015 and 2014.

