

FREEDOM IN CHRIST MINISTRIES

Financial Statements

December 31, 2018 and 2017



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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, 2018 and 2017, 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, 2018 and 2017, 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.



Knoxville, Tennessee
June 3, 2019

FREEDOM IN CHRIST MINISTRIES
Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 445,904	\$ 398,638
Inventory	39,469	46,935
Accounts receivable	689	1,317
Prepaid expenses	<u>9,242</u>	<u>13,095</u>
Total current assets	495,304	459,985
Property and equipment, net	<u>8,284</u>	<u>15,927</u>
Total assets	<u>\$ 503,588</u>	<u>\$ 475,912</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 28,493	\$ 40,964
Accrued expenses and other liabilities	<u>78,356</u>	<u>96,171</u>
Total current liabilities	<u>106,849</u>	<u>137,135</u>
Net Assets		
With Donor Restrictions	295,043	222,391
Without Donor Restrictions	<u>101,696</u>	<u>116,386</u>
Total net assets	<u>396,739</u>	<u>338,777</u>
Total liabilities and net assets	<u>\$ 503,588</u>	<u>\$ 475,912</u>

FREEDOM IN CHRIST MINISTRIES
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Changes Net Assets without Donor Restrictions		
Support and Revenues		
Sales of books and tapes, net of cost of materials of \$202,699 and \$184,615	\$ 31,658	\$ 28,783
Contributions	180,390	207,802
Conference and events	-	1,080
Community freedom ministry	55,131	46,309
Field staff administration	116,286	109,450
Royalty	1,828	786
Other	<u>3,941</u>	<u>1,490</u>
Total support without donor restrictions and revenues	389,234	395,700
Net assets released from donor restrictions		
Restrictions satisfied by payments	<u>1,102,123</u>	<u>1,137,459</u>
Total support without donor restrictions and revenues	<u>1,491,357</u>	<u>1,533,159</u>
Expenses		
Field ministry	1,113,628	1,147,142
Other compensation and benefits	201,342	200,974
General and administrative	120,988	111,858
Development	24,339	21,836
Conference and event	1,132	601
Depreciation	7,643	6,496
Community freedom ministry	<u>36,975</u>	<u>21,996</u>
Total expenses	<u>1,506,047</u>	<u>1,510,903</u>
Decrease (increase) in net assets without donor restrictions	<u>(14,690)</u>	<u>22,256</u>
Changes in Net Assets with Donor Restrictions		
Field ministry support and events	1,174,775	1,152,945
Net assets released from restrictions	<u>(1,102,123)</u>	<u>(1,137,459)</u>
Increase in net assets with donor restrictions	<u>72,652</u>	<u>15,486</u>
Change in net assets	57,962	37,742
Net assets at the beginning of the year	<u>338,777</u>	<u>301,035</u>
Net assets at the end of the year	<u>\$ 396,739</u>	<u>\$ 338,777</u>

FREEDOM IN CHRIST MINISTRIES
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 57,962	\$ 37,742
Adjustments to reconcile change in net assets to cash flows from operating activities		
Depreciation	7,643	6,496
Decrease (increase) in assets		
Inventory	7,466	(5,325)
Accounts receivable	628	(1,125)
Prepaid expenses	3,853	(4,689)
Decrease (increase) in liabilities		
Accounts payable	(12,471)	5,247
Accrued expenses and other liabilities	<u>(17,815)</u>	<u>(7,800)</u>
Net cash flows from operating activities	<u>47,266</u>	<u>30,546</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>-</u>	<u>(20,649)</u>
Net cash flows from investing activities	-	(20,649)
Net change in cash and cash equivalents	47,266	9,897
Cash and cash equivalents at the beginning of the year	<u>398,638</u>	<u>388,741</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 445,904</u></u>	<u><u>\$ 398,638</u></u>

FREEDOM IN CHRIST MINISTRIES

Notes to Financial Statements

December 31, 2018 and 2017

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 based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Ministry and changes therein are classified and reported as follows: Net assets with donor restrictions and without donor restrictions.

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, 2018 and 2017.

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, 2018 and 2017 was \$7,643 and \$6,496, 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 net assets with donor restrictions and net assets without donor restrictions. All donor restricted net assets are reported as an increase in donor restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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:

- *Net Assets with Donor Restrictions* - 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, 2018 and 2017, net assets with donor restrictions totaled \$295,043 and \$222,391, which was made up of contributions for the field ministry staff.
- *Net Assets without Donor Restrictions* - This component of net assets consists of net assets that do not meet the definition of “restricted”. These net assets are available for current use by the Ministry.

Recent Adopted New Accounting Pronouncements - In August 2016, the Financial Accounting Standards Board (“FASB”) issued *Accounting Standards Update (“ASU”) No. 2016-14, Presentation of Financial Statements For Not-For-Profit Entities*, which amends *FASB Codification Topic 958: Not-For-Profit Entities*, and is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The objective of the ASU is to (1) improve the usefulness of information provided to donors, grantors, creditors and other users of a Not-For-Profit (“NFP”) financial statement, (2) reduce complexities or costs for preparers or users of financial statements and (3) both improve usefulness and reduce complexities or costs

The ASU eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements by reducing complexity of how they are reported. Net Assets are to be reported in the following two categories: Net Assets without Donor Restrictions and Net Assets with Donor Restrictions. Enhanced disclosure in the notes to financial statements will provide useful information about the nature, amounts, and effects of various types of donor-imposed restrictions. Simplifying the face of the financial statements will enable NFP’s to continue to provide more useful information about an entity’s resources and changes in those resources and will allow a user of the entity’s financial statements to assess (1) the availability of resources to meet cash needs for general expenditures within one year of the date of the statement of financial position, (2) liquidity and financial flexibility, (3) financial performance during the period, (4) service efforts and ability to continue providing services, and (5) execution of its stewardship responsibilities and other aspects of its management performance.

The ASU continues to allow NFP’s to present operating cash flows using either the direct or indirect method by choosing the method that best serves the informational needs of their users. If the NFP elects to use the direct method for reporting its cash flows, it is no longer required to include the indirect reconciliation on the face of the cash flow statement.

The ASU will require a NFP entity to report its investment return net of external and direct internal expenses and provides a more comparable measure of investment returns.

Reclassifications - Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Date of Management’s Review - Management has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2018, 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, 2018 and 2017 was \$1,828 and \$786, respectively.

FREEDOM IN CHRIST MINISTRIES
Notes to Financial Statements (Continued)

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

	<u>2018</u>	<u>2017</u>
Office equipment	\$ 255,484	\$ 255,484
Leasehold improvements	<u>5,630</u>	<u>5,630</u>
Total property and equipment	261,114	261,114
Less accumulated depreciation	<u>252,830</u>	<u>245,187</u>
Net property and equipment	<u>\$ 8,284</u>	<u>\$ 15,927</u>

NOTE 4 - 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, 2018 and 2017, 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, 2016 through December 31, 2018 remain open for examination by various taxing authorities, it is management's opinion that no significant uncertain tax positions exist at December 31, 2018.

NOTE 5 - 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>2018</u>	<u>2017</u>
Program services	\$ 1,350,764	\$ 1,361,955
General and administrative	76,050	73,950
Fundraising	<u>79,233</u>	<u>74,998</u>
Total	<u>\$ 1,506,047</u>	<u>\$ 1,510,903</u>

FREEDOM IN CHRIST MINISTRIES
Notes to Financial Statements (Continued)

NOTE 5 - FUNCTIONAL EXPENSE ALLOCATION - (Continued)

Joint cost allocated for the years ended December 31, 2018 and 2017 were as follows:

	2018			
	Program	General and administrative	Fundraising	Total
Field ministry	\$ 1,113,628	\$ -	\$ -	\$ 1,113,628
Other compensation and benefits	116,778	52,349	32,215	201,342
General and administrative	72,351	20,205	28,432	120,988
Development	7,301	974	16,064	24,339
Conference and event expenses	1,132	-	-	1,132
Depreciation	2,599	2,522	2,522	7,643
Community freedom ministry	36,975	-	-	36,975
Total	<u>\$ 1,350,764</u>	<u>\$ 76,050</u>	<u>\$ 79,233</u>	<u>\$ 1,506,047</u>

	2017			
	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	21,996	-	-	21,996
Total	<u>\$ 1,361,955</u>	<u>\$ 73,950</u>	<u>\$ 74,998</u>	<u>\$ 1,510,903</u>

NOTE 6- 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 \$27,954 and \$28,422 in 2018 and 2017. Future minimum lease payments due in 2019 are approximately \$21,553.

FREEDOM IN CHRIST MINISTRIES
Notes to Financial Statements (Continued)

NOTE 7- LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, without donor restrictions limiting their use within one year of the balance sheet date, comprise of the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 150,861	\$ 176,247
Accounts receivable	<u>689</u>	<u>1,317</u>
Total assets	\$ 151,550	\$ 177,564

Cash consist of \$295,043 and \$222,391 restricted for field staff use as of December 31, 2018 and 2017.

