

FREEDOM IN CHRIST MINISTRIES

Financial Statements

December 31, 2020 and 2019



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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, 2020 and 2019, 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

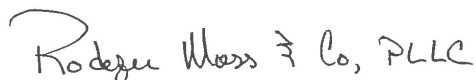
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2020 and 2019, 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
February 26, 2021

FREEDOM IN CHRIST MINISTRIES
 Statements of Financial Position
 December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 840,409	\$ 664,487
Inventory	47,466	55,848
Accounts receivable	175	440
Prepaid expenses	<u>10,198</u>	<u>11,912</u>
Total current assets	898,248	732,687
 Property and equipment, net	 <u>6,513</u>	 <u>3,046</u>
Total assets	 <u><u>\$ 904,761</u></u>	 <u><u>\$ 735,733</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 25,882	\$ 18,649
Paycheck Protection Program loan, due within one year	110,781	-
Accrued expenses and other liabilities	<u>98,306</u>	<u>106,962</u>
Total current liabilities	<u>234,969</u>	<u>125,611</u>
 Long Term Liabilities		
Paycheck Protection Program loan, due after one year	<u>31,652</u>	<u>-</u>
Total liabilities	<u>266,621</u>	<u>125,611</u>
 Net Assets		
With Donor Restrictions	369,202	290,959
Without Donor Restrictions	<u>268,938</u>	<u>319,163</u>
Total net assets	<u>638,140</u>	<u>610,122</u>
Total liabilities and net assets	 <u><u>\$ 904,761</u></u>	 <u><u>\$ 735,733</u></u>

FREEDOM IN CHRIST MINISTRIES
 Statements of Activities and Changes in Net Assets
 Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets without Donor Restrictions		
Support and Revenues		
Sales of books and tapes, net of cost of materials of \$224,613 and \$228,956	\$ 19,151	\$ 48,944
Contributions	201,878	456,347
Community freedom ministry	53,460	51,239
Church transformation fees	11,820	-
Field staff administration	117,610	112,918
Royalty	2,485	1,204
Other	<u>12,007</u>	<u>3,104</u>
Total support and revenue without donor restrictions	418,411	673,756
Net assets released from donor restrictions		
Restrictions satisfied by payments	<u>1,101,167</u>	<u>1,150,691</u>
Total support and revenue without donor restrictions	<u>1,519,578</u>	<u>1,824,447</u>
Expenses		
Field ministry	1,111,129	1,173,226
Other compensation and benefits	247,634	234,967
General and administrative	127,716	119,836
Development	52,298	22,374
Church transformation	4,561	-
Conference and event	-	10,578
Depreciation	3,043	8,101
Community freedom ministry	<u>35,611</u>	<u>37,898</u>
Total expenses	<u>1,581,992</u>	<u>1,606,980</u>
(Decrease) increase in net assets without donor restrictions	<u>(62,414)</u>	<u>217,467</u>
Changes in Net Assets with Donor Restrictions		
Field ministry support and events	1,191,599	1,146,607
Net assets released from restrictions	<u>(1,101,167)</u>	<u>(1,150,691)</u>
Increase (decrease) in net assets with donor restrictions	<u>90,432</u>	<u>(4,084)</u>
Change in net assets	28,018	213,383
Net assets at the beginning of the year	<u>610,122</u>	<u>396,739</u>
Net assets at the end of the year	<u>\$ 638,140</u>	<u>\$ 610,122</u>

FREEDOM IN CHRIST MINISTRIES
 Statements of Cash Flows
 Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 28,018	\$ 213,383
Adjustments to reconcile change in net assets to cash flows from operating activities		
Depreciation	3,043	8,101
Decrease (increase) in assets		
Inventory	8,382	(16,379)
Accounts receivable	265	249
Prepaid expenses	1,714	(2,670)
Increase (decrease) in liabilities		
Accounts payable	7,233	(9,844)
Accrued expenses and other liabilities	<u>(8,656)</u>	<u>28,606</u>
Net cash flows from operating activities	<u>39,999</u>	<u>221,446</u>
 Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>(6,510)</u>	<u>(2,863)</u>
Net cash flows from investing activities	(6,510)	(2,863)
 Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program Loan	<u>142,433</u>	<u>-</u>
Net cash flows from financing activities	142,433	-
Net change in cash and cash equivalents	175,922	218,583
Cash and cash equivalents at the beginning of the year	<u>664,487</u>	<u>445,904</u>
Cash and cash equivalents at the end of the year	<u>\$ 840,409</u>	<u>\$ 664,487</u>

See notes to financial statements.

FREEDOM IN CHRIST MINISTRIES

Notes to Financial Statements

December 31, 2020 and 2019

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 the 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, 2020 and 2019.

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, 2020 and 2019 was \$3,043 and \$8,101, 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.

Revenue Recognition from Contracts - On January 1, 2019, the Ministry adopted Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) using the modified retrospective approach. Under this method, the guidance is applied only to the most current period presented in the financial statements. ASU No. 2014-09 outlines a single comprehensive revenue recognition model for revenue arising from contracts with customers and superseded most of the previous revenue recognition guidance, including industry-specific guidance. Under ASU No. 2014-09, the Ministry follows the five-step model provided in the guidance in order to recognize revenue in the following manner: 1) Identify the contract; 2) Identify the performance obligations of the contract; 3) Determine the transaction price of the contract; 4) Allocate the transaction price to the performance obligation; and, 5) Recognize revenue. Under this method, an entity recognizes revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The Ministries’ revenue recognition policies remained substantially unchanged as a result of the adoption of ASU No. 2014-09, and there were no significant changes in business processes or systems.

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, 2020 and 2019, net assets with donor restrictions totaled \$369,202 and \$290,959, 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.

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, 2020, 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, 2020 and 2019 was \$2,485 and \$1,204, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	<u>2020</u>	<u>2019</u>
Office equipment	\$ 264,777	\$ 258,347
Leasehold improvements	<u>5,630</u>	<u>5,630</u>
Total property and equipment	270,407	263,977
Less accumulated depreciation	<u>263,894</u>	<u>260,931</u>
Net property and equipment	<u>\$ 6,513</u>	<u>\$ 3,046</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, 2020 and 2019, the Ministry had no activities unrelated to its exempt purpose, and therefore, incurred no tax liability due to unrelated business income.

FREEDOM IN CHRIST MINISTRIES
Notes to Financial Statements (Continued)

NOTE 4 - INCOME TAXES - (Continued)

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, 2017 through December 31, 2020 remain open for examination by various taxing authorities, it is management's opinion that no significant uncertain tax positions exist at December 31, 2020.

NOTE 5 - FUNCTIONAL EXPENSE ALLOCATION

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.

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>2020</u>	<u>2019</u>
Program services	\$ 1,388,027	\$ 1,439,111
General and administrative	88,810	84,672
Fundraising	<u>105,155</u>	<u>83,197</u>
Total	<u>\$ 1,581,992</u>	<u>\$ 1,606,980</u>

Joint cost allocated for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>			
	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Field ministry	\$ 1,111,129	\$ -	\$ -	\$ 1,111,129
Other compensation and benefits	143,628	64,385	39,621	247,634
General and administrative	76,374	21,329	30,013	127,716
Development	15,689	2,092	34,517	52,298
Church transformation	4,561	-	-	4,561
Depreciation	1,035	1,004	1,004	3,043
Community freedom ministry	<u>35,611</u>	-	-	<u>35,611</u>
Total	<u>\$ 1,388,027</u>	<u>\$ 88,810</u>	<u>\$ 105,155</u>	<u>\$ 1,581,992</u>

FREEDOM IN CHRIST MINISTRIES
Notes to Financial Statements (Continued)

NOTE 5 - FUNCTIONAL EXPENSE ALLOCATION - (Continued)

	2019			
	Program	General and administrative	Fundraising	Total
Field ministry	\$ 1,173,226	\$ -	\$ -	\$ 1,173,226
Other compensation and benefits	136,281	61,091	37,595	234,967
General and administrative	71,662	20,013	28,161	119,836
Development	6,712	895	14,767	22,374
Conference and event expenses	10,578	-	-	10,578
Depreciation	2,754	2,673	2,674	8,101
Community freedom ministry	37,898	-	-	37,898
Total	\$ 1,439,111	\$ 84,672	\$ 83,197	\$ 1,606,980

NOTE 6 - LEASE OBLIGATIONS

The Ministry leases office space for their office location. The office space is under an agreement that expires in 2022. Rental expense for the office totaled \$29,406 and \$28,868 in 2020 and 2019. Future minimum lease payments as of December 31, 2020 is as follows:

2021	\$ 30,087
2022	22,838
Total minimum lease payments	\$ 52,925

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 471,207	\$ 373,528
Accounts receivable	175	440
Total assets	\$ 471,382	\$ 373,968

Cash consists of \$369,202 and \$290,959 restricted for field staff use as of December 31, 2020 and 2019.

FREEDOM IN CHRIST MINISTRIES
Notes to Financial Statements (Continued)

NOTE 8 - INSTALLMENT NOTE PAYABLE

Installment note payable at December 31, 2020 consisted of:

	<u>2020</u>	<u>2019</u>
Paycheck Protection Program loan payable to a financial institution, due in monthly installments of \$8,016 including interest at 1%. Payments beginning November 2020 and maturing in April 2022.	\$ 142,433	\$ -
Less installments due within one year	110,781	-
	\$ 31,652	\$ -

Maturities of installments note payable are summarized as follows:

<u>Year Ending December 31,</u>	
2021	\$ 110,781
2022	31,652
	\$ 142,433

NOTE 9 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, Leases (Subtopic 842) (“ASU 2016-02”). ASU 2016-02 provides revised guidance for lease accounting and related disclosure requirements, including a requirement for lessees to recognize lease assets and lease liabilities for certain operating leases. All leases with lease terms greater than one year are subject to ASU 2016-02, including leases in place as of the adoption date. Under the previous guidance, lessees were not required to recognize assets and liabilities for operating leases on the balance sheet. ASU 2016-02 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2021, with early adoption permitted. The Ministry is currently evaluating the potential effect of this ASU on its financial statements, including the potential amount of incremental lease assets and liabilities that are expected to be recognized upon adoption.

NOTE 10 - BUSINESS RISK AND UNCERTAINTIES

On March 11, 2020 the World Health Organization designated COVID-19 a world health pandemic. Our existing contingency and disaster preparedness plans give management the tools necessary to guide the Ministry through such circumstances. We have evaluated the short-term and long-term impacts of this pandemic on the Ministry, the outcome of which is not predictable with assurance, and it is possible that the Ministry could be affected negatively by these circumstances. Although the ultimate financial impact of this pandemic cannot be ascertained, through a thorough evaluation of contracts in place, our customer base, and our overhead projections, management believes that any resulting financial impact should not materially affect the financial position of the Ministry as of December 31, 2020.

On March 27, 2020, President Trump signed into laws the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes several relief provisions available to tax-qualified retirement plans and their participants. Plan management is currently evaluating the impact of the CARES Act on the Plan’s financial statements.

FREEDOM IN CHRIST MINISTRIES
Notes to Financial Statements (Continued)

NOTE 10 - BUSINESS RISK AND UNCERTAINTIES - (Continued)

The CARES Act also appropriated funds for the SBA Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment to provide liquidity to small businesses and not-for-profit organizations harmed by COVID-19. As described in Note 8, the Ministry applied for, and in April 2020 received, funds under the Paycheck Protection Program in the amount of \$142,433. PPP loan was fully forgiven including any owned interest by SBA subsequently to year end on February 5, 2021.

