

FREEDOM IN CHRIST MINISTRIES

Financial Statements

December 31, 2021 and 2020



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## Independent Auditors' Report

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

### **Opinion**

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, 2021 and 2020, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ministry as of December 31, 2021 and 2020, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ministry and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ministry's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ministry's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Rodger Moss & Co, PLLC

Knoxville, Tennessee  
June 13, 2022



FREEDOM IN CHRIST MINISTRIES  
 Statements of Financial Position  
 December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 997,687	\$ 840,409
Inventory	42,032	47,466
Accounts receivable	117	175
Prepaid expenses	<u>4,420</u>	<u>10,198</u>
Total current assets	1,044,256	898,248
 Property and equipment, net	 <u>18,348</u>	 <u>6,513</u>
Total assets	 <u><u>\$ 1,062,604</u></u>	 <u><u>\$ 904,761</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 30,805	\$ 25,882
Paycheck Protection Program loan, due within one year	-	110,781
Accrued expenses and other liabilities	<u>121,504</u>	<u>98,306</u>
Total current liabilities	<u>152,309</u>	<u>234,969</u>
 Long Term Liabilities		
Paycheck Protection Program loan, due after one year	<u>-</u>	<u>31,652</u>
Total liabilities	<u>152,309</u>	<u>266,621</u>
 Net Assets		
With donor restrictions	432,985	369,202
Without donor restrictions	<u>477,310</u>	<u>268,938</u>
Total net assets	<u>910,295</u>	<u>638,140</u>
Total liabilities and net assets	 <u><u>\$ 1,062,604</u></u>	 <u><u>\$ 904,761</u></u>

See notes to financial statements.

FREEDOM IN CHRIST MINISTRIES  
 Statements of Activities and Changes in Net Assets  
 Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Changes in Net Assets without Donor Restrictions		
Support and Revenues		
Sales of books and tapes, net of cost of materials of \$248,591 and \$225,797	\$ 14,507	\$ 19,151
Contributions	274,320	201,878
Community freedom ministry	29,135	53,460
Church transformation fees	16,355	11,820
Field staff administration	128,472	117,610
Royalty	11,687	2,485
Paycheck Protection Program	304,507	-
Other	<u>1,574</u>	<u>12,007</u>
Total support and revenue without donor restrictions	780,557	418,411
Net assets released from donor restrictions		
Restrictions satisfied by payments	<u>1,263,327</u>	<u>1,101,167</u>
Total support and revenue without donor restrictions	<u>2,043,884</u>	<u>1,519,578</u>
Expenses		
Field ministry	1,283,331	1,111,129
Other compensation and benefits	244,208	247,634
General and administrative	144,113	127,716
Development	83,602	52,298
Church transformation	4,400	4,561
Conference and event	23,294	-
Depreciation	9,807	3,043
Community freedom ministry	<u>42,757</u>	<u>35,611</u>
Total expenses	<u>1,835,512</u>	<u>1,581,992</u>
(Decrease) increase in net assets without donor restrictions	<u>208,372</u>	<u>(62,414)</u>
Changes in Net Assets with Donor Restrictions		
Field ministry support and events	1,327,110	1,191,599
Net assets released from restrictions	<u>(1,263,327)</u>	<u>(1,101,167)</u>
Increase (decrease) in net assets with donor restrictions	<u>63,783</u>	<u>90,432</u>
Change in net assets	272,155	28,018
Net assets at the beginning of the year	<u>638,140</u>	<u>610,122</u>
Net assets at the end of the year	<u>\$ 910,295</u>	<u>\$ 638,140</u>

See notes to financial statements.

FREEDOM IN CHRIST MINISTRIES  
 Statements of Cash Flows  
 Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 272,155	\$ 28,018
Adjustments to reconcile change in net assets to cash flows from operating activities		
Depreciation	9,807	3,043
Decrease (increase) in assets		
Inventory	5,434	8,382
Accounts receivable	58	265
Prepaid expenses	5,778	1,714
Increase (decrease) in liabilities		
Accounts payable	4,923	7,233
Paycheck Protection Program loan forgiveness	(304,507)	-
Accrued expenses and other liabilities	<u>23,278</u>	<u>(8,656)</u>
Net cash flows from operating activities	<u>16,926</u>	<u>39,999</u>
 Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>(21,722)</u>	<u>(6,510)</u>
Net cash flows from investing activities	(21,722)	(6,510)
 Cash Flows From Financing Activities		
Proceeds from Paycheck Protection Program Loan	<u>162,074</u>	<u>142,433</u>
Net cash flows from financing activities	162,074	142,433
Net change in cash and cash equivalents	157,278	175,922
Cash and cash equivalents at the beginning of the year	<u>840,409</u>	<u>664,487</u>
Cash and cash equivalents at the end of the year	<u>\$ 997,687</u>	<u>\$ 840,409</u>

## FREEDOM IN CHRIST MINISTRIES

Notes to Financial Statements

December 31, 2021 and 2020

### 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, 2021 and 2020.

**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, 2021 and 2020 was \$9,807 and \$3,043, 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** - The Ministry recognizes revenue in accordance with 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, 2021 and 2020, net assets with donor restrictions totaled \$432,985 and \$369,202, 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, 2021, for items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through the date of the independent auditors’ 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, 2021 and 2020 was \$11,687 and \$2,485, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

	<u>2021</u>	<u>2020</u>
Office equipment	\$ 286,499	\$ 264,777
Leasehold improvements	<u>5,630</u>	<u>5,630</u>
Total property and equipment	292,129	270,407
Less accumulated depreciation	<u>273,781</u>	<u>263,894</u>
Net property and equipment	<u>\$ 18,348</u>	<u>\$ 6,513</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, 2021 and 2020, 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, 2018 through December 31, 2021 remain open for examination by various taxing authorities, it is management's opinion that no significant uncertain tax positions exist at December 31, 2021.

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>2021</u>	<u>2020</u>
Program services	\$ 1,610,017	\$ 1,388,027
General and administrative	94,141	88,810
Fundraising	<u>131,353</u>	<u>105,155</u>
Total	<u>\$ 1,835,512</u>	<u>\$ 1,581,992</u>

Joint cost allocated for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>			
	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Field ministry	\$ 1,283,331	\$ -	\$ -	\$ 1,283,331
Other compensation and benefits	141,641	63,494	39,073	244,208
General and administrative	86,180	24,067	33,867	144,114
Development	25,081	3,344	55,177	83,602
Conference and event expenses	27,694	-	-	27,694
Depreciation	3,334	3,236	3,236	9,806
Community freedom ministry	<u>42,757</u>	-	-	<u>42,757</u>
Total	<u>\$ 1,610,017</u>	<u>\$ 94,141</u>	<u>\$ 131,353</u>	<u>\$ 1,835,512</u>

FREEDOM IN CHRIST MINISTRIES  
Notes to Financial Statements (Continued)

NOTE 5 - FUNCTIONAL EXPENSE ALLOCATION - (Continued)

	2020			
	Program	General and administrative	Fundraising	Total
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
Conference and event expenses	4,561	-	-	4,561
Depreciation	1,035	1,004	1,004	3,043
Community freedom ministry	35,611	-	-	35,611
Total	\$ 1,388,027	\$ 88,810	\$ 105,155	\$ 1,581,992

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 \$29,997 and \$29,406 in 2021 and 2020. Future minimum lease payments as of December 31, 2021 is as follows:

2022	22,838
Total minimum lease payments	\$ 22,838

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 564,702	\$ 471,207
Accounts receivable	117	175
Total assets	\$ 564,819	\$ 471,382

Cash consists of \$432,985 and \$369,202 restricted for field staff use as of December 31, 2021 and 2020.

FREEDOM IN CHRIST MINISTRIES  
Notes to Financial Statements (Continued)

NOTE 8 - 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 9 - 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, 2021.

NOTE 10 - CARES ACT

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciations methods for qualified improvement property. The Organization is currently evaluating how these provisions for the CARES Act will impact its financial position, results of operations, and cash flows.

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. The Ministry applied for, and in April 2020 received, funds under the Paycheck Protection Program in the amount of \$142,433. The PPP loan was fully forgiven including any owed interest by the SBA on February 5, 2021. Accordingly, the Company has recognized the full balance of forgiveness in the Statement of Activities for the year ended December 31, 2021.

In April 2021, the Ministry received a \$162,074 PPP Loan from Tennessee Bank that was forgiven in September 2021 via notice from the SBA. Accordingly, the Ministry the full balance of forgiveness in the Statement of Activities for the year ended December 31, 2021.