FREEDOM IN CHRIST MINISTRIES

Financial Statements

December 31, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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 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.

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
June 13, 2023

FREEDOM IN CHRIST MINISTRIES
Statements of Financial Position
December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | $ 1,138,831 | $ 997,687 |
| Inventory | 41,849 | 42,032 |
| Accounts receivable | 118 | 117 |
| Prepaid expenses | 4,518 | 4,420 |
| Total current assets | 1,185,316 | 1,044,256 |
| Property and equipment, net | 6,862 | 18,348 |
| Right-of-Use lease assets, net | 98,126 | - |
| Total assets | $ 1,290,304 | $ 1,062,604 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | $ 42,156 | $ 30,805 |
| Accrued expenses and other liabilities | 120,350 | 121,504 |
| Lease liabilities, due within one year | 35,952 | - |
| Total current liabilities | 198,458 | 152,309 |
| Lease liabilities, due after one year | 62,913 | - |
| Total liabilities | 261,371 | 152,309 |
| Net Assets | | |
| With donor restrictions | 568,332 | 432,985 |
| Without donor restrictions | 460,601 | 477,310 |
| Total net assets | 1,028,933 | 910,295 |
| Total liabilities and net assets | $ 1,290,304 | $ 1,062,604 |

See notes to financial statements.

FREEDOM IN CHRIST MINISTRIES
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| Changes in Net Assets without Donor Restrictions | | |
| Support and Revenues | | |
| Sales of books and tapes, net of cost of materials of $235,318 and $248,591 | $ 13,981 | $ 14,507 |
| Contributions | 355,975 | 274,320 |
| Community freedom ministry | 42,370 | 29,135 |
| Church transformation fees | 49,019 | 16,355 |
| Field staff administration | 144,093 | 128,472 |
| Royalty | 17,051 | 11,687 |
| Paycheck Protection Program | - | 304,507 |
| Other | 2,398 | 1,574 |
| Total support and revenue without donor restrictions | 624,887 | 780,557 |
| Net assets released from donor restrictions | | |
| Restrictions satisfied by payments | 1,362,986 | 1,263,327 |
| Total support and revenue | 1,987,873 | 2,043,884 |
| Expenses | | |
| Field ministry | 1,379,991 | 1,283,331 |
| Other compensation and benefits | 286,617 | 244,208 |
| General and administrative | 151,614 | 144,113 |
| Development | 92,509 | 83,602 |
| Community freedom ministry | 40,165 | 42,757 |
| Church transformation | 22,879 | 4,400 |
| Conference and event | 19,230 | 23,294 |
| Depreciation | 11,577 | 9,807 |
| Total expenses | 2,004,582 | 1,835,512 |
| (Decrease) increase in net assets without donor restrictions | (16,709) | 208,372 |
| Changes in Net Assets with Donor Restrictions | | |
| Field ministry support and events | 1,498,333 | 1,327,110 |
| Net assets released from restrictions | (1,362,986) | (1,263,327) |
| Increase in net assets with donor restrictions | 135,347 | 63,783 |
| Change in net assets | 118,638 | 272,155 |
| Net assets at the beginning of the year | 910,295 | 638,140 |
| Net assets at the end of the year | $ 1,028,933 | $ 910,295 |

See notes to financial statements.

FREEDOM IN CHRIST MINISTRIES
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Change in net assets | $ 118,638 | $ 272,155 |
| Adjustments to reconcile change in net assets to cash flows from operating activities | | |
| Depreciation | 11,577 | 9,807 |
| Non cash lease expense | 740 | - |
| (Increase) decrease in assets | | |
| Inventory | 183 | 5,434 |
| Accounts receivable | (1) | 58 |
| Prepaid expenses | (98) | 5,778 |
| Increase (decrease) in liabilities | | |
| Accounts payable | 11,351 | 4,923 |
| Paycheck Protection Program loan forgiveness | - | (304,507) |
| Accrued expenses and other liabilities | 2,018 | 23,278 |
| Net cash flows from operating activities | 144,408 | 16,926 |
| Cash Flows From Investing Activities | | |
| Acquisition of property and equipment | (3,264) | (21,722) |
| Net cash flows from investing activities | (3,264) | (21,722) |
| Cash Flows From Financing Activities | | |
| Proceeds from Paycheck Protection Program Loan | - | 162,074 |
| Net cash flows from financing activities | - | 162,074 |
| Net change in cash and cash equivalents | 141,144 | 157,278 |
| Cash and cash equivalents at the beginning of the year | 997,687 | 840,409 |
| Cash and cash equivalents at the end of the year | $ 1,138,831 | $ 997,687 |

See notes to financial statements.

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, 2022 and 2021.

**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, 2022 and 2021 was $11,577 and $9,807, respectively. Depreciation is allocated among the program and supporting services benefited. Property and equipment is depreciated from 3 to 5 years.

**Right of Use Lease Assets and Lease Liabilities** - The Ministry records operating and finance lease activity in accordance with FASB ASC 842, *Leases*. Lease liabilities are recognized at lease commencement, measured using the present value of cash payments expected to be made during the lease term, and represent the Ministry's obligation to make the lease payments arising from a lease. Right-of-use lease assets are recognized upon lease commencement. measured using the initial lease liability plus any payments made at or before commencement of the lease term, and represent our right to use an underlying asset for the lease term. Certain leases with a term of 12 months or less are not recorded using a right-of-use asset and lease liability, rather the related payments are recognized in the statement of income on a straight-line basis over the term of the lease. See Note 4 for further information regarding the Ministry's leases.

**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.

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

**Revenue Recognition from Contracts - (Continued)** - 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 Ministry's 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.

**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, 2022 and 2021, net assets with donor restrictions totaled $568,332 and $432,985, 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, 2022, 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, 2022 and 2021 was $17,051 and $11,687, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

| | 2022 | 2021 |
|---|---|---|
| Office equipment | $ 41,908 | $ 286,499 |
| Leasehold improvements | 5,630 | 5,630 |
| Total property and equipment | 47,538 | 292,129 |
| Less accumulated depreciation | 40,676 | 273,781 |
| Net property and equipment | $ 6,862 | $ 18,348 |

## NOTE 4 - LEASES

As discussed in Note 1, the Ministry records lease activity in accordance with ASC 842. The Ministry determines if our contractual agreements contain a lease at inception. A lease is identified when a contract allows for the right to control an identified asset for a period of time in exchange for consideration. The Ministry's lease agreements consist of operating leases for office space and office equipment. The Ministry does not have material financing leases.

The Ministry's operating leases are included on the balance sheets as right-of-use lease assets and lease liabilities. A right-of-use lease asset represents the Ministry's right to use an underlying asset over the term of a lease, while a lease liability represents its obligation to make lease payments arising from the lease. Current and noncurrent lease liabilities are recognized on commencement date at the present value of lease payments. Right-of-use lease assets are also recognized on the commencement date as the total lease liability plus and/or minus prepaid rents, deposits, and lease incentives, if any. As the Ministry's leases typically do not provide an implicit rate, it uses its fully collateralized incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate is influenced by market interest rates, credit ratings, and lease term and as such, may differ for individual leases.

The Ministry's lease agreements typically do not contain variable lease payments, residual value guarantees, purchase options, or restrictive covenants. Many of the Ministry's leases include the option to renew for a period of months to several years. The term of the Ministry's leases may include the option to renew when it is reasonably certain that the option will be exercised. If a lease agreements contains lease components (e.g., payments for rent) and non-lease components (e.g., payments for common area maintenance and parking), it is all accounted for as a single lease component.

Information regarding lease expense, remaining lease term, discount rate, and other select lease information is presented below as of and for the year ended December 31, 2022:

| | |
|---|---|
| Total operating lease expense | $ 41,919 |
| Other lease information | |
| Operating cash outflows from operating leases | $ 39,506 |
| Right-of-use lease assets obtained in exchange for new lease liabilities | $ - |
| Lease Term and Discount Rate | |
| Weighted average remaining lese term (in years) | 2.67 |
| Weighted average discount rate | 5% |

A summary of the maturity of lease liabilities as of December 31, 2022 is as follows:

| Year-ended December 31, | |
|---|---|
| 2023 | $ 39,735 |
| 2024 | 37,776 |
| 2025 | 27,784 |
| Total minimum lease payments | $ 105,295 |
| Less: amounts representing interest | (6,430) |
| Present value of lease liability | $ 98,865 |

## 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, 2022 and 2021, 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, 2019 through December 31, 2022 remain open for examination by various taxing authorities, it is management's opinion that no significant uncertain tax positions exist at December 31, 2022.

## NOTE 6 - 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:

| | 2022 | 2021 |
|---|---|---|
| Program services | $ 1,750,857 | $ 1,610,018 |
| General and administrative | 107,361 | 94,141 |
| Fundraising | 146,364 | 131,353 |
| Total | $ 2,004,582 | $ 1,835,512 |

NOTE 6 - FUNCTIONAL EXPENSE ALLOCATION - (Continued)

Joint cost allocated for the years ended December 31, 2022 and 2021 were as follows:

| 2022 | Program | General and administrative | Fundraising | Total |
|---|---|---|---|---|
| Field ministry | $ 1,379,991 | $ - | $ - | $ 1,379,991 |
| Other compensation and benefits | 166,238 | 74,520 | 45,859 | 286,617 |
| General and administrative | 90,665 | 25,320 | 35,629 | 151,615 |
| Development | 27,753 | 3,700 | 61,056 | 92,509 |
| Conference and event expenses | 42,109 | - | - | 42,109 |
| Depreciation | 3,936 | 3,820 | 3,820 | 11,576 |
| Community freedom ministry | 40,165 | - | - | 40,165 |
| Total | $ 1,750,857 | $ 107,361 | $ 146,364 | $ 2,004,582 |

| 2021 | Program | General and administrative | Fundraising | Total |
|---|---|---|---|---|
| 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 | 42,757 | - | - | 42,757 |
| Total | $ 1,610,018 | $ 94,141 | $ 131,353 | $ 1,835,512 |

NOTE 7 - LIQUIDITY AND AVAILABILILITY

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

| | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | $ 570,499 | $ 471,207 |
| Accounts receivable | 118 | 175 |
| Total assets | $ 570,617 | $ 471,382 |

Cash consists of $568,332 and $432,985 restricted for field staff use as of December 31, 2022 and 2021.

## NOTE 8 - RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which requires an entity to utilize a new impairment model known as the current expected credit loss (CECL) model to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial assets and certain other instruments, including but not limited to trade receivables. Credit losses relating to trade receivables will be recorded through an allowance for credit losses rather than as a direct write-down to the receivable. ASU 2016-13 requires a cumulative effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. In November 2019, the FASB issued ASU 2019-10, Financial Instruments - Credit Losses (Topic 326): Effective Dates, which defers the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022. ASU 2016-13 will be effective for the Ministry beginning January 1, 2023. The Ministry is currently evaluating the impact of the adoption of ASU 2016-13 on its financial statements.

## 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, 2022.

## 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 Ministry 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.