

CHRISTIAN FREEDOM INTERNATIONAL, INC.

**Financial Statements For The Years Ended December 31, 2017 and 2016
and Independent Auditors' Report
Dated March 19, 2018**

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Christian Freedom International, Inc.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Christian Freedom International, Inc.
Front Royal, VA

We have audited the accompanying financial statements of Christian Freedom International (“the Organization”), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’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 entity’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 Christian Freedom International as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of Christian Freedom International as of December 31, 2016, were audited by other accountants who have ceased operations and whose report dated March 15, 2017, expressed an unmodified opinion.

Jennifer S. Burke CPA LLC
Warrenton, Virginia
March 19, 2018

CHRISTIAN FREEDOM INTERNATIONAL, INC.**Statements of Financial Position
As of December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 178,294	\$ 257,075
Contributions Receivable, net of allowance	62,241	55,678
Prepaid Expenses and Other Assets	14,055	13,861
Total Current Assets	<u>254,590</u>	<u>326,614</u>
Fixed Assets		
Furniture and Equipment	34,008	34,008
Vehicles	2,553	2,553
Motel and Improvements	316,902	316,902
Vocational Center	64,296	64,296
Less: Accumulated Depreciation	<u>(174,913)</u>	<u>(160,672)</u>
Total Fixed Assets	<u>242,846</u>	<u>257,087</u>
 Total Assets	 <u>\$ 497,436</u>	 <u>\$ 583,701</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Payroll Liabilities	\$ 13,312	\$ 15,795
Accounts Payable	6,224	7,120
Notes Payable - Current	3,327	3,196
Total Current Liabilities	<u>22,863</u>	<u>26,111</u>
Long Term Liabilities		
Notes Payable	<u>104,294</u>	<u>107,610</u>
Total Long-term Liabilities	<u>104,294</u>	<u>107,610</u>
 Total Liabilities	 127,157	 133,721
Net Assets		
Unrestricted Net Assets	370,279	439,980
Temporarily Restricted Net Assets	-	10,000
Total Net Assets	<u>370,279</u>	<u>449,980</u>
 Total Liabilities and Equity	 <u>\$ 497,436</u>	 <u>\$ 583,701</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

CHRISTIAN FREEDOM INTERNATIONAL, INC.**Statement of Activities****For the Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ 832,514	\$ -	\$ 832,514
Motel Income	39,026	-	39,026
Miscellaneous Income	10,544	-	10,544
Net Assets Released from Restrictions	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
Total Support and Revenues	892,084	(10,000)	882,084
Expenses			
Program Services	810,334	-	810,334
General and Administrative Expenses	102,899	-	102,899
Fundraising Expenses	<u>48,552</u>	<u>-</u>	<u>48,552</u>
Total Expenses	<u>961,785</u>	<u>-</u>	<u>961,785</u>
Change in Net Assets	(69,701)	(10,000)	(79,701)
Net Assets, Beginning of Year	<u>439,980</u>	<u>10,000</u>	<u>449,980</u>
Net Assets, End of Year	<u>\$ 370,279</u>	<u>\$ -</u>	<u>\$ 370,279</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

CHRISTIAN FREEDOM INTERNATIONAL, INC.**Statement of Activities****For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ 918,389	\$ 385	\$ 918,774
Motel Income	44,770	-	44,770
Stock Donations	39,185	-	39,185
Miscellaneous Income	7,035	-	7,035
Realized Gain / (Loss) on Investment	(136)	-	(136)
Net Assets Released from Restrictions	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>
Total Support and Revenues	1,019,243	(9,615)	1,009,628
Expenses			
Program Services	810,261	-	810,261
General and Administrative Expenses	98,032	-	98,032
Fundraising Expenses	<u>74,168</u>	<u>-</u>	<u>74,168</u>
Total Expenses	<u>982,461</u>	<u>-</u>	<u>982,461</u>
Change in Net Assets	36,782	(9,615)	27,167
Net Assets, Beginning of Year	<u>403,198</u>	<u>19,615</u>	<u>422,813</u>
Net Assets, End of Year	<u>\$ 439,980</u>	<u>\$ 10,000</u>	<u>\$ 449,980</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

CHRISTIAN FREEDOM INTERNATIONAL, INC.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (79,701)	\$ 27,167
Adjustments to reconcile change in net cash provided/(used) by operating activities:		
Depreciation	14,241	15,309
Stock Donation	(1,478)	(39,185)
(Gains)/Losses on Investments	-	136
(Increase)/Decrease in Contributions Receivable	(6,563)	20,868
(Increase)/Decrease in Prepaid Expenses and Other Assets	(194)	(5,589)
Increase/(Decrease) in Accounts Payable	(896)	(1,403)
Increase/(Decrease) in Payroll Liabilities	<u>(2,483)</u>	<u>2,100</u>
Net cash provided by (used by) operating activities	(77,074)	19,403
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investment	1,478	39,049
Purchases of Fixed Assets	<u>-</u>	<u>(1,311)</u>
Net cash provided by (used by) investing activities	1,478	37,738
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on Notes Payable	<u>(3,185)</u>	<u>(2,803)</u>
Net cash provided by (used by) financing activities	<u>(3,185)</u>	<u>(2,803)</u>
Net Increase in Cash and Cash Equivalents	(78,781)	54,338
Cash and Cash Equivalents at Beginning of Year	<u>257,075</u>	<u>202,737</u>
Cash and Cash Equivalents at End of Year	<u>\$ 178,294</u>	<u>\$ 257,075</u>
Interest Paid	<u>\$ 4,374</u>	<u>\$ 4,119</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

CHRISTIAN FREEDOM INTERNATIONAL, INC.**Statement of Functional Expenses
For the Year Ended December 31, 2017**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Mission Support	\$ 353,350	\$ -	\$ -	\$ 353,350
Salaries and Wages	198,081	31,927	12,034	242,042
Employee Benefits	49,035	7,692	2,954	59,681
Printing and Publications	34,588	990	12,913	48,491
Postage and Shipping	28,074	1,171	11,074	40,319
Freedom Inn Utilities	36,953	-	-	36,953
Professional Fees	119	29,368	7	29,494
Office Expense	19,977	3,628	1,198	24,803
Payroll Taxes	15,767	2,473	950	19,190
Travel	16,270	181	70	16,521
Depreciation	11,701	1,835	705	14,241
Insurance	12,794	774	298	13,866
Website	11,155	1,070	450	12,675
Miscellaneous	1,750	10,183	70	12,003
Taxes, Licenses, and Fees	4,880	8	5,415	10,303
Interest and Finance Expense	-	8,456	-	8,456
Advertising	7,082	433	166	7,681
Utilities	4,484	645	248	5,377
Repairs and Maintenance	4,274	-	-	4,274
Bank Service Charges	-	2,065	-	2,065
	<u>-</u>	<u>2,065</u>	<u>-</u>	<u>2,065</u>
Total Expenses	<u>\$ 810,334</u>	<u>\$ 102,899</u>	<u>\$ 48,552</u>	<u>\$ 961,785</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

CHRISTIAN FREEDOM INTERNATIONAL, INC.**Statement of Functional Expenses
For the Year Ended December 31, 2016**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Mission Support	\$ 384,790	\$ 318	\$ 114	\$ 385,222
Salaries and Wages	201,456	31,462	11,433	244,351
Insurance	56,170	8,026	2,876	67,072
Printing and Publications	20,660	125	22,727	43,512
Postage and Shipping	16,646	382	23,904	40,932
Freedom Inn Utilities	33,874	-	-	33,874
Office Expense	14,701	9,916	5,751	30,368
Professional Fees	315	25,642	9	25,966
Payroll Taxes	15,579	2,467	884	18,930
Depreciation	12,599	1,995	715	15,309
Advertising	13,377	592	710	14,679
Website	11,729	1,077	377	13,183
Interest and Finance Expense	-	10,639	-	10,639
Employee Benefits	8,753	1,069	383	10,205
Taxes, Licenses, and Fees	4,856	59	3,832	8,747
Travel	7,839	655	235	8,729
Utilities	3,835	607	218	4,660
Bank Service Charges	-	3,001	-	3,001
Repairs and Maintenance	2,900	-	-	2,900
Miscellaneous	182	-	-	182
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 810,261</u>	<u>\$ 98,032</u>	<u>\$ 74,168</u>	<u>\$ 982,461</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

Christian Freedom International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE 1: ORGANIZATION

Christian Freedom International, Inc. (“the Organization”) became independent from Christian Solidarity International-Switzerland on April 24, 1998. The mission of the Organization is to increase the American perspective and attention on those who suffer persecution for the Christian faith around the world. Its objectives are to obtain firsthand evidence of human rights violations and present that evidence to policymakers in Washington, D.C.; to mobilize Christians in prayer for the victims of persecution and repression; assess humanitarian need and provide such assistance as the Organization’s resources permit; and, launch letter writing and petition campaigns on behalf of persecuted Christians.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial investments.

Marketable Securities - The Organization receives contributions in the form of stock. The Organization’s policy is to immediately sell the contributed stock. These contributions are valued at market and are considered to be marketable securities.

Contributions - The Organization reports gifts of cash and other assets as restricted support if they are received with donor or time stipulations that limit the use of the donated assets. When the donor or time restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support on which restrictions are satisfied in the same period in which it was received is reported as unrestricted support.

Fixed Assets - Acquisitions of fixed assets are capitalized. Furniture and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Furniture is depreciated over 7 years, equipment and vehicles are depreciated over 5 years, computer software is depreciated

Christian Freedom International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

over 3 years, and buildings and building improvements are depreciated over 30 years.

The Organization reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of fixed assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire fixed assets are reported as restricted support. Absent explicit donor stipulations about how long the fixed assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired fixed assets are placed in service.

Income Taxes - The Organization has received notification from the Internal Revenue Service that it is exempt from federal income tax as described in Section 501 (c)(3) of the Internal Revenue Code. Accordingly, contributions are deductible for federal income, estate, and gift tax purposes. The Internal Revenue Service also has classified the Organization as a public charity and not a private foundation.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed.

NOTE 3: CONTRIBUTION RECEIVABLE

The final year gift of \$10,000, from the 2008 Harward J. Davis & Annie O. Davis Memorial Fund, was not donated as scheduled, nor will it be. The Fund executor did not include CFI in the distribution list, at his discretion. Though recorded as an asset receivable, the donation was never in possession or control of CFI. The receivable was written off in 2017.

NOTE 4: NOTES PAYABLE

On December 30, 2008, the Organization secured a loan of \$132,000 from Wendell L. Christoff Trust under an agreement dated August 1, 2006 as amended, bearing interest at 4% for a hotel purchase. The loan is payable in consecutive monthly payments of \$630, including interest, and is collateralized by the building at 610 Ashmun St., Sault Ste. Marie, MI 49783, i.e. Freedom Inn. Final payment is due January 1, 2039.

Loan maturities for each of the five years following December 31, 2017 are as follows:

2018	\$ 3,327
2019	3,462
2020	3,603
2021	3,725
2022	3,877
Thereafter	<u>89,627</u>
Total Notes Payable	<u>\$ 107,621</u>

Interest expense on these loans totaled \$4,374 and \$4,119 in 2017 and 2016, respectively.

Christian Freedom International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of time restricted net assets of \$0 and \$10,000, as of December 31, 2017 and 2016, respectively.

NOTE 6: ALLOCATION OF JOINT EXPENSES WITH A FUNDRAISING COMPONENT

The Organization conducted activities that included requests for contributions as well as program components. Those activities included an ongoing direct mail campaign. The cost of conducting those activities included a total of \$79,207 and \$46,041 of joint costs for 2017 and 2016, respectively.

	<u>2017</u>	<u>2016</u>
Cost allocated to program	\$ 55,554	\$ 30,122
Cost allocated to fundraising	<u>23,653</u>	<u>15,919</u>
Total Costs	<u>\$ 79,207</u>	<u>\$ 46,041</u>

NOTE 7: RELATED PARTY TRANSACTIONS

The Organization has an economic interest in an affiliated organization, the Growth & Opportunity Foundation (G&O). The Organization does not share any board members in common and does not have control of G&O. Therefore, its operations are not consolidated in the financial statements of the Organization. During 2017 and 2016, respectively, the Organization made grants totaling \$249,150 and \$233,700 to G&O for program assistance and operating costs. These amounts are reported as mission support expense in the statement of functional expenses.

NOTE 8: RECLASSIFICATIONS

Certain 2016 amounts have been reclassified to conform to the 2017 financial statement presentation. The changes have no material effect on the financial statements.

NOTE 9: SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through March 19, 2018, the date on which the financial statements were available to be issued.