

CHRISTIAN FREEDOM INTERNATIONAL, INC.

**Financial Statements For The Years Ended December 31, 2018 and 2017
and Independent Auditors' Report
Dated March 25, 2019**

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Christian Freedom International, Inc.
Table of Contents

Independent Auditors' Report	1-2
Statements of Financial Position as of December 31, 2018 and 2017	3
Statement of Activities for the Year Ended December 31, 2018	4
Statement of Activities for the Year Ended December 31, 2017	5
Statements of Cash Flows for the Years Ended December 31, 2018 and 2017	6
Statement of Functional Expenses for the Year Ended December 31, 2018	7
Statement of Functional Expenses for the Year Ended December 31, 2017	8
Notes to the Financial Statements	9-12



Jennifer S. Burke, CPA PLLC

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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, 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.

Auditor’s 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 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jennifer S. Burke CPA PLLC

Jennifer S. Burke CPA LLC
Warrenton, Virginia
March 25, 2019

CHRISTIAN FREEDOM INTERNATIONAL, INC.
Statements of Financial Position
As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 244,600	\$ 178,294
Contributions Receivable	41,574	62,241
Prepaid Expenses and Other Assets	<u>6,248</u>	<u>14,055</u>
Total Current Assets	292,422	254,590
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>(189,053)</u>	<u>(174,913)</u>
Total Fixed Assets	<u>228,706</u>	<u>242,846</u>
Total Assets	<u>\$ 521,128</u>	<u>\$ 497,436</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Payroll Liabilities	\$ 12,554	\$ 13,312
Accounts Payable	5,080	6,224
Notes Payable - Current	<u>3,462</u>	<u>3,327</u>
Total Current Liabilities	21,096	22,863
Long Term Liabilities		
Notes Payable	<u>100,843</u>	<u>104,294</u>
Total Long-term Liabilities	<u>100,843</u>	<u>104,294</u>
Total Liabilities	121,939	127,157
Net Assets		
Without Donor Restrictions	<u>399,189</u>	<u>370,279</u>
Total Net Assets	<u>399,189</u>	<u>370,279</u>
Total Liabilities and Equity	<u>\$ 521,128</u>	<u>\$ 497,436</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, 2018

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ 884,840	\$ -	\$ 884,840
Motel Income	34,650	-	34,650
Miscellaneous Income	<u>13,042</u>	<u>-</u>	<u>13,042</u>
Total Support and Revenues	932,532	-	932,532
Expenses			
Program Services	719,412	-	719,412
General and Administrative Expenses	126,116	-	126,116
Fundraising Expenses	<u>58,094</u>	<u>-</u>	<u>58,094</u>
Total Expenses	<u>903,622</u>	<u>-</u>	<u>903,622</u>
Change in Net Assets	28,910	-	28,910
Net Assets Without Donor Restrictions, Beginning of Year	<u>370,279</u>	<u>-</u>	<u>370,279</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 399,189</u>	<u>\$ -</u>	<u>\$ 399,189</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</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.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 28,910	\$ (79,701)
Adjustments to reconcile change in net cash provided/(used) by operating activities:		
Depreciation	14,140	14,241
Stock Donation	(1,479)	(1,478)
(Gains)/Losses on Investments	-	-
(Increase)/Decrease in Contributions Receivable	20,667	(6,563)
(Increase)/Decrease in Prepaid Expenses and Other Assets	7,807	(194)
Increase/(Decrease) in Accounts Payable	(1,144)	(896)
Increase/(Decrease) in Payroll Liabilities	<u>(758)</u>	<u>(2,483)</u>
Net cash provided by (used by) operating activities	68,143	(77,074)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investment	1,479	1,478
Purchases of Fixed Assets	<u>-</u>	<u>-</u>
Net cash provided by (used by) investing activities	1,479	1,478
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on Notes Payable	<u>(3,316)</u>	<u>(3,185)</u>
Net cash provided by (used by) financing activities	<u>(3,316)</u>	<u>(3,185)</u>
Net Increase in Cash and Cash Equivalents	66,306	(78,781)
Cash and Cash Equivalents at Beginning of Year	<u>178,294</u>	<u>257,075</u>
Cash and Cash Equivalents at End of Year	<u>\$ 244,600</u>	<u>\$ 178,294</u>
Interest Paid	<u>\$ 4,245</u>	<u>\$ 4,374</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, 2018**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Mission Support	\$ 360,390	\$ -	\$ -	\$ 360,390
Salaries and Wages	138,402	51,971	17,311	207,684
Printing and Publications	27,678	59	13,193	40,930
Postage and Shipping	27,304	1,177	11,679	40,160
Employee Benefits	23,995	8,885	3,001	35,881
Freedom Inn Utilities	35,319	-	-	35,319
Professional Fees	-	29,469	-	29,469
Office Expense	15,058	6,659	1,864	23,581
Website	15,204	2,593	880	18,677
Travel	15,061	1,185	107	16,353
Payroll Taxes	10,796	3,997	1,351	16,144
Depreciation	9,456	3,501	1,183	14,140
Insurance	10,713	1,432	484	12,629
Taxes, Licenses, and Fees	5,167	37	6,509	11,713
Interest and Finance Expense	-	10,942	-	10,942
Advertising	9,758	-	-	9,758
Repairs and Maintenance	6,337	-	-	6,337
Utilities	4,250	1,546	522	6,318
Events	4,020	-	-	4,020
Bank Service Charges	-	2,345	-	2,345
Miscellaneous	504	318	10	832
	<u>504</u>	<u>318</u>	<u>10</u>	<u>832</u>
Total Expenses	<u>\$ 719,412</u>	<u>\$ 126,116</u>	<u>\$ 58,094</u>	<u>\$ 903,622</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
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.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

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, 2018 and 2017

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.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that has been consistently applied.

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: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has \$286,174 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$244,600 and contributions receivable of \$41,574. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4: 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.

Christian Freedom International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 5: 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, 2018 are as follows:

2019	\$ 3,462
2020	3,603
2021	3,725
2022	3,877
2023	4,035
Thereafter	<u>85,603</u>
Total Notes Payable	<u>\$ 104,305</u>

Interest expense on these loans totaled \$4,245 and \$4,374 in 2018 and 2017, 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 \$77,108 and \$79,207 of joint costs for 2018 and 2017, respectively.

	<u>2018</u>	<u>2017</u>
Cost allocated to program	\$ 53,338	\$ 55,554
Cost allocated to fundraising	<u>23,770</u>	<u>23,653</u>
Total Costs	<u>\$ 77,108</u>	<u>\$ 79,207</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 2018 and 2017, respectively, the Organization made grants totaling \$238,293 and \$249,150 to G&O for program assistance and operating costs. These amounts are reported as mission support expense in the statement of functional expenses.

Christian Freedom International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

NOTE 8: SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through March 25, 2019, the date on which the financial statements were available to be issued.

NOTE 9: NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization’s financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 3).
- The changes have the following effect on net assets at December 31, 2017:

Net Asset Class	As Originally <u>Presented</u>	After Adoption <u>of ASU 2016-14</u>
Unrestricted net assets	\$ 370,279	\$ -
Net assets without donor restrictions	<u>-</u>	<u>370,279</u>
Total net assets	<u>\$ 370,279</u>	<u>\$ 370,279</u>

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.