

CHRISTIAN FREEDOM INTERNATIONAL, INC.

**Financial Statements For The Years Ended December 31, 2019 and 2018
and Independent Auditors' Report
Dated March 19, 2020**

**JENNIFER S. BURKE, CPA PLLC
47 GARRETT STREET, SUITE 301
WARRENTON, VIRGINIA 20186
TELEPHONE (540) 229-9538**

Christian Freedom International, Inc.
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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, 2019 and 2018, 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

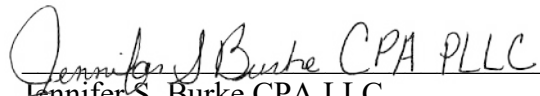
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2019 and 2018, 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 LLC
Warrenton, Virginia
March 19, 2020

CHRISTIAN FREEDOM INTERNATIONAL, INC.**Statements of Financial Position
As of December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 248,840	\$ 244,600
Contributions Receivable	43,913	41,574
Prepaid Expenses and Other Assets	<u>12,953</u>	<u>6,248</u>
Total Current Assets	305,706	292,422
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>(202,874)</u>	<u>(189,053)</u>
Total Fixed Assets	<u>214,885</u>	<u>228,706</u>
Total Assets	<u>\$ 520,591</u>	<u>\$ 521,128</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Payroll Liabilities	\$ 14,621	\$ 12,554
Accounts Payable	7,235	5,080
Notes Payable - Current	<u>3,603</u>	<u>3,462</u>
Total Current Liabilities	25,459	21,096
Long Term Liabilities		
Notes Payable	<u>97,252</u>	<u>100,843</u>
Total Long-term Liabilities	<u>97,252</u>	<u>100,843</u>
Total Liabilities	122,711	121,939
Net Assets		
Without Donor Restrictions	<u>397,880</u>	<u>399,189</u>
Total Net Assets	<u>397,880</u>	<u>399,189</u>
Total Liabilities and Equity	<u>\$ 520,591</u>	<u>\$ 521,128</u>

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

CHRISTIAN FREEDOM INTERNATIONAL, INC.
Statements of Activities
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	<u>Total</u>	<u>Total</u>
Support and Revenues		
Contributions	\$ 857,042	\$ 884,840
Motel Income	28,310	34,650
Micro-Enterprise Income	21,294	13,020
Miscellaneous Income	<u>464</u>	<u>22</u>
Total Support and Revenues	907,110	932,532
Expenses		
Program Services	686,124	719,412
General and Administrative Expenses	162,317	126,116
Fundraising Expenses	<u>59,978</u>	<u>58,094</u>
Total Expenses	<u>908,419</u>	<u>903,622</u>
Change in Net Assets	(1,309)	28,910
Net Assets Without Donor Restrictions, Beginning of Year	<u>399,189</u>	<u>370,279</u>
Net Assets Without Donor Restrictions, End of Year	<u><u>\$ 397,880</u></u>	<u><u>\$ 399,189</u></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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,309)	\$ 28,910
Adjustments to reconcile change in net cash provided/(used) by operating activities:		
Depreciation	13,822	14,140
Stock Donation	(9,493)	(1,479)
(Gains)/Losses on Investments	(18)	-
(Increase)/Decrease in Contributions Receivable	(2,339)	20,667
(Increase)/Decrease in Prepaid Expenses and Other Assets	(6,705)	7,807
Increase/(Decrease) in Accounts Payable	2,155	(1,144)
Increase/(Decrease) in Payroll Liabilities	<u>2,067</u>	<u>(758)</u>
Net cash provided by (used by) operating activities	(1,820)	68,143
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investment	<u>9,510</u>	<u>1,479</u>
Net cash provided by (used by) investing activities	9,510	1,479
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on Notes Payable	<u>(3,450)</u>	<u>(3,316)</u>
Net cash provided by (used by) financing activities	<u>(3,450)</u>	<u>(3,316)</u>
Net Increase in Cash and Cash Equivalents	4,240	66,306
Cash and Cash Equivalents at Beginning of Year	<u>244,600</u>	<u>178,294</u>
Cash and Cash Equivalents at End of Year	<u>\$ 248,840</u>	<u>\$ 244,600</u>
Interest Paid	<u>\$ 4,110</u>	<u>\$ 4,245</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, 2019**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Mission Support	\$ 353,790	\$ 414	\$ -	\$ 354,204
Salaries and Wages	110,222	64,109	8,924	183,255
Professional Fees	22,963	41,276	8,343	72,582
Postage and Shipping	26,242	2,200	15,939	44,381
Printing and Publications	23,368	49	15,625	39,042
Freedom Inn Utilities	36,590	-	-	36,590
Employee Benefits	16,860	9,678	1,354	27,892
Office Expense	13,074	9,344	1,040	23,458
Travel	14,119	3,683	73	17,875
Taxes, Licenses, and Fees	5,276	3,971	5,457	14,704
Website	11,554	2,548	584	14,686
Insurance	11,439	2,723	381	14,543
Payroll Taxes	8,480	4,868	681	14,029
Depreciation	8,355	4,796	671	13,822
Interest and Finance Expense	4,109	6,923	-	11,032
Advertising	7,386	154	552	8,092
Repairs and Maintenance	7,375	-	-	7,375
Utilities	3,713	2,131	298	6,142
Bank Service Charges	-	2,394	-	2,394
Events	1,144	373	52	1,569
Miscellaneous	65	683	4	752
Total Expenses	<u>\$ 686,124</u>	<u>\$ 162,317</u>	<u>\$ 59,978</u>	<u>\$ 908,419</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
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.
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

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.

Revenue Recognition - 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

We have analyzed the provisions of the FASB’s ASC Topic 606, Revenue from Contracts with Customers, and have concluded that no changes are necessary to conform with the new standard. The Micro-Enterprise orders and payments are received and processed by the Organization. The items are manufactured by the Christians we serve in Thailand. Victory Bible Academy (“VBA”) operates in Thailand through G&O (see Note 6). The items are

Christian Freedom International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

shipped directly from VBA, by the students, staff, and volunteers there. Revenue is recognized at a single point in time when ownership, risks, and rewards transfer.

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 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 \$292,753 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 \$248,840 and contributions receivable of \$43,913. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Christian Freedom International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2019 and 2018

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, 2018 are as follows:

2020	\$ 3,603
2021	3,725
2022	3,877
2023	4,035
2024	4,199
Thereafter	<u>81,416</u>
Total Notes Payable	<u>\$ 100,855</u>

Interest expense on these loans totaled \$4,109 and \$4,245 in 2019 and 2018, respectively.

NOTE 5: 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 2019 and 2018, respectively.

	<u>2019</u>	<u>2018</u>
Cost allocated to program	\$ 44,596	\$ 53,338
Cost allocated to fundraising	<u>31,083</u>	<u>23,770</u>
Total Costs	<u>\$ 75,679</u>	<u>\$ 77,108</u>

NOTE 6: 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 2019 and 2018, respectively, the Organization made grants totaling \$231,950 and \$238,293 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, 2019 and 2018

NOTE 7: RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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 19, 2020, the date on which the financial statements were available to be issued.