

# **CHRISTIAN FREEDOM INTERNATIONAL, INC.**

**Financial Statements For The Years Ended December 31, 2020 and 2019  
and Independent Auditors' Report  
Dated April 7, 2021**

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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, Inc. ("the Organization"), which comprise the statements of financial position as of December 31, 2020 and 2019, 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, Inc. as of December 31, 2020 and 2019, 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.

  
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Jennifer S. Burke CPA LLC  
Warrenton, Virginia  
April 7, 2021

**CHRISTIAN FREEDOM INTERNATIONAL, INC.****Statements of Financial Position  
As of December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 559,453	\$ 248,840
Contributions Receivable	91,418	43,913
Prepaid Expenses and Other Assets	<u>9,309</u>	<u>12,953</u>
Total Current Assets	660,180	305,706
Fixed Assets		
Furniture and Equipment	24,601	34,008
Vehicles	2,553	2,553
Vocational Center	64,296	64,296
Motel and Improvements	-	316,902
Less: Accumulated Depreciation	<u>(86,398)</u>	<u>(202,874)</u>
Total Fixed Assets	<u>5,052</u>	<u>214,885</u>
Total Assets	<u>\$ 665,232</u>	<u>\$ 520,591</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Current Liabilities		
Payroll Liabilities	\$ 10,423	\$ 14,621
Accounts Payable	5,486	7,235
Notes Payable - Current	<u>31,063</u>	<u>3,603</u>
Total Current Liabilities	46,972	25,459
Long Term Liabilities		
Notes Payable	<u>12,037</u>	<u>97,252</u>
Total Long-term Liabilities	<u>12,037</u>	<u>97,252</u>
Total Liabilities	59,009	122,711
Net Assets		
Without Donor Restrictions	<u>606,223</u>	<u>397,880</u>
Total Net Assets	<u>606,223</u>	<u>397,880</u>
Total Liabilities and Equity	<u>\$ 665,232</u>	<u>\$ 520,591</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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Support and Revenues		
Contributions	\$ 1,080,015	\$ 857,042
Motel Income	13,255	28,310
Micro-Enterprise Income	9,926	21,294
Miscellaneous Income	3,000	464
Loss on Disposal of Assets	<u>(21,878)</u>	<u>-</u>
Total Support and Revenues	1,084,318	907,110
Expenses		
Program Services	681,616	686,124
General and Administrative Expenses	138,789	162,317
Fundraising Expenses	<u>55,570</u>	<u>59,978</u>
Total Expenses	<u>875,975</u>	<u>908,419</u>
Change in Net Assets	208,343	(1,309)
Net Assets Without Donor Restrictions, Beginning of Year	<u>397,880</u>	<u>399,189</u>
Net Assets Without Donor Restrictions, End of Year	<u><u>\$ 606,223</u></u>	<u><u>\$ 397,880</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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 208,343	\$ (1,309)
Adjustments to reconcile change in net cash provided/(used) by operating activities:		
Depreciation	11,124	13,822
Stock Donation	-	(9,493)
Loss on Sale of Motel	21,878	
(Gains) on Investments	-	(18)
Increase in Contributions Receivable	(47,505)	(2,339)
(Increase)/Decrease in Prepaid Expenses and Other Assets	3,644	(6,705)
Increase/(Decrease) in Accounts Payable	(1,749)	2,155
Increase/(Decrease) in Payroll Liabilities	<u>(4,198)</u>	<u>2,067</u>
Net cash provided by (used by) operating activities	191,537	(1,820)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Motel	176,831	-
Proceeds from Sale of Investment	<u>-</u>	<u>9,510</u>
Net cash provided by investing activities	176,831	9,510
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Note Payable	43,100	-
Payments on Note Payable	<u>(100,855)</u>	<u>(3,450)</u>
Net cash used by financing activities	<u>(57,755)</u>	<u>(3,450)</u>
Net Increase in Cash and Cash Equivalents	310,613	4,240
Cash and Cash Equivalents at Beginning of Year	<u>248,840</u>	<u>244,600</u>
Cash and Cash Equivalents at End of Year	<u>\$ 559,453</u>	<u>\$ 248,840</u>
Interest Paid	<u>\$ 2,990</u>	<u>\$ 4,110</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, 2020**

	<u>Program</u>	General and <u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Mission Support	\$ 396,267	\$ -	\$ -	\$ 396,267
Salaries and Wages	103,942	54,357	10,714	169,013
Professional Fees	20,177	35,215	2,779	58,171
Postage and Shipping	22,265	1,450	17,417	41,132
Printing and Publications	18,278	382	14,472	33,132
Employee Benefits	18,086	9,444	1,844	29,374
Freedom Inn Utilities	24,348	-	-	24,348
Office Expense	12,447	7,089	1,245	20,781
Insurance	11,135	5,079	473	16,687
Advertising	16,229	-	-	16,229
Payroll Taxes	8,196	4,279	836	13,311
Taxes, Licenses, and Fees	5,431	2,415	3,575	11,421
Depreciation	6,829	3,576	719	11,124
Website	7,671	2,246	467	10,384
Interest and Finance Expense	2,990	6,997	-	9,987
Utilities	3,598	1,884	379	5,861
Travel	2,286	2,367	124	4,777
Bank Service Charges	-	1,608	515	2,123
Repairs and Maintenance	1,181	17	3	1,201
Miscellaneous	<u>260</u>	<u>384</u>	<u>8</u>	<u>652</u>
Total Expenses	<u>\$ 681,616</u>	<u>\$ 138,789</u>	<u>\$ 55,570</u>	<u>\$ 875,975</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	<u>65</u>	<u>683</u>	<u>4</u>	<u>752</u>
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.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**

**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.

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 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.

**Christian Freedom International, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following table reflects the Organization's financial assets as of December 31<sup>st</sup>, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or internal board designations.

**Christian Freedom International, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**

**NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS, CONTINUED**

	<u>2020</u>	<u>2019</u>
Financial Assets at year-end:		
Cash	\$ 559,453	\$ 248,840
Contributions Receivable	<u>91,418</u>	<u>43,913</u>
Total Financial Assets	650,871	292,753
 Assets limited to use:	 <u>-</u>	 <u>-</u>
 Financial Assets available to meet cash needs for general expenditures within one year:	 <u>\$ 650,871</u>	 <u>\$ 292,753</u>

**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. This loan was paid off in full during 2020. Interest expense on this loan totaled \$2,990 and \$4,109 in 2020 and 2019, respectively.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted. The CARES Act is an emergency economic stimulus package in response to the COVID-19 outbreak, which among other things, provides for loans to be made to small businesses under the Payroll Protection Program (PPP). On May 6, 2020 the Organization received a loan in the amount of \$43,100. The loan has an interest rate of 1% and matures on May 24, 2022. Pursuant to the PPP Rules, all or a portion of this loan may be forgiven. The actual amount of the loan forgiveness will depend, in part, on the total amount of Payroll Costs (as defined in Section 1102(a)(2) of the CARES Act), and utility payments under service agreements dated before February 15, 2020, paid by the Organization during the eight week period, or the optional twenty-four week period, following the date of the Note; provided, however, not more than 40% of the loan forgiveness amount may be attributable to non-Payroll Costs. In the event the Organization fails to satisfy the loan forgiveness provisions of the PPP Rules and some or all of this loan is not forgiven, the unforgiven portion of the loan will remain an obligation of the Organization that must be paid back to Lender in accordance with the terms listed above.

**Christian Freedom International, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2020 and 2019**

**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 \$71,174 and \$75,679 of joint costs for 2020 and 2019, respectively.

	<u>2020</u>	<u>2019</u>
Cost allocated to program	\$ 37,108	\$ 44,596
Cost allocated to fundraising	<u>33,066</u>	<u>31,083</u>
Total Costs	<u>\$ 71,174</u>	<u>\$ 75,679</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 2020 and 2019, respectively, the Organization made grants totaling \$173,995 and \$231,950 to G&O for program assistance and operating costs. These amounts are reported as mission support expense in the statement of functional expenses.

**NOTE 7: SUBSEQUENT EVENTS**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The Organization has been able to continue most of its operations in a remote environment, however, at this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations cannot be predicted.

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through April 7, 2021, the date on which the financial statements were available to be issued.