

CHRISTIAN FREEDOM INTERNATIONAL, INC.

**Financial Statements For The Years Ended December 31, 2016 and 2015
and Independent Auditors' Report
Dated March 15, 2017**

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Christian Freedom International, Inc.
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**Hendershot
Burkhardt
& Associates**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Audit Services:

Government Services
A-133 Audits
ERISA Audits
Not-For-Profits
Commercial Audits
Financial Reviews

Tax Services:

Tax Planning
Tax Preparation
Estates & Trusts
Offer-in-Compromise
Installment Agreements

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Bookkeeping
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Business Services:

Business Consulting
Business Plans

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, 2016 and 2015, 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 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, 2016 and 2015, 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.

David C. Burkhardt, CPA For

Hendershot, Burkhardt & Associates
Certified Public Accountants, PC
Manassas, Virginia
March 15, 2017

CHRISTIAN FREEDOM INTERNATIONAL, INC.
Statements of Financial Position
As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 257,075	\$ 202,737
Contributions Receivable, net of allowance	55,678	66,931
Prepaid Expenses and Other Assets	<u>13,861</u>	<u>8,272</u>
Total Current Assets	326,614	277,940
Fixed Assets		
Furniture and Equipment	34,008	32,697
Vehicles	2,553	2,553
Motel and Improvements	316,902	316,902
Vocational Center	64,296	64,296
Less: Accumulated Depreciation	<u>(160,672)</u>	<u>(145,363)</u>
Total Fixed Assets	<u>257,087</u>	<u>271,085</u>
Long Term Contributions Receivable, net	<u>-</u>	<u>9,615</u>
Total Assets	<u>\$ 583,701</u>	<u>\$ 558,640</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Payroll Liabilities	\$ 15,795	\$ 13,695
Accounts Payable	7,120	8,523
Notes Payable - Current	<u>3,196</u>	<u>3,063</u>
Total Current Liabilities	26,111	25,281
Long Term Liabilities		
Notes Payable	<u>107,610</u>	<u>110,546</u>
Total Long-term Liabilities	<u>107,610</u>	<u>110,546</u>
Total Liabilities	133,721	135,827
Net Assets		
Unrestricted Net Assets	439,980	403,198
Temporarily Restricted Net Assets	<u>10,000</u>	<u>19,615</u>
Total Net Assets	<u>449,980</u>	<u>422,813</u>
Total Liabilities and Equity	<u>\$ 583,701</u>	<u>\$ 558,640</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>	Temporarily <u>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><u>\$ 439,980</u></u>	<u><u>\$ 10,000</u></u>	<u><u>\$ 449,980</u></u>

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CHRISTIAN FREEDOM INTERNATIONAL, INC.
Statement of Activities
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Contributions	\$ 1,039,018	\$ 754	\$ 1,039,772
Stock Donations	74,199	-	74,199
Motel Income	43,300	-	43,300
Miscellaneous Income	5,280	-	5,280
Realized Gain / (Loss) on Investment	(235)	-	(235)
Net Assets Released from Restrictions	<u>33,192</u>	<u>(33,192)</u>	<u>-</u>
Total Support and Revenues	1,194,754	(32,438)	1,162,316
Expenses			
Program Services	733,950	-	733,950
General and Administrative Expenses	88,484	-	88,484
Fundraising Expenses	<u>56,153</u>	<u>-</u>	<u>56,153</u>
Total Expenses	<u>878,587</u>	<u>-</u>	<u>878,587</u>
Change in Net Assets	316,167	(32,438)	283,729
Net Assets, Beginning of Year	<u>87,031</u>	<u>52,053</u>	<u>139,084</u>
Net Assets, End of Year	<u>\$ 403,198</u>	<u>\$ 19,615</u>	<u>\$ 422,813</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 27,167	\$ 283,729
Adjustments to reconcile change in net cash provided/(used) by operating activities:		
Depreciation	15,309	16,891
Stock Donation	(39,185)	(74,199)
(Gains)/Losses on Investments	136	235
(Increase)/Decrease in Contributions Receivable	20,868	(4,792)
(Increase)/Decrease in Prepaid Expenses and Other Assets	(5,589)	(202)
Increase/(Decrease) in Accounts Payable	(1,403)	2,224
Increase/(Decrease) in Payroll Liabilities	<u>2,100</u>	<u>546</u>
Net cash provided by (used by) operating activities	19,403	224,432
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investment	39,049	73,964
Purchases of Fixed Assets	<u>(1,311)</u>	<u>(4,711)</u>
Net cash provided by (used by) investing activities	37,738	69,253
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on Notes Payable	<u>(2,803)</u>	<u>(158,987)</u>
Net cash provided by (used by) financing activities	<u>(2,803)</u>	<u>(158,987)</u>
Net Increase in Cash and Cash Equivalents	54,338	134,698
Cash and Cash Equivalents at Beginning of Year	<u>202,737</u>	<u>68,039</u>
Cash and Cash Equivalents at End of Year	<u>\$ 257,075</u>	<u>\$ 202,737</u>
Interest Paid	<u>\$ 4,119</u>	<u>\$ 8,119</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, 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
Utilities	37,709	607	218	38,534
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
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.
Statement of Functional Expenses
For the Year Ended December 31, 2015

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Mission Support	\$ 289,245	\$ 49	\$ 20	\$ 289,314
Salaries and Wages	192,719	28,353	10,759	231,831
Printing and Publications	41,523	1,007	18,256	60,786
Insurance	44,952	5,345	2,121	52,418
Postage and Shipping	31,897	1,282	12,936	46,115
Utilities	32,802	682	271	33,755
Professional Fees	100	24,475	-	24,575
Office Expense	12,631	2,310	5,729	20,670
Payroll Taxes	16,217	2,253	892	19,362
Website	15,697	1,243	435	17,375
Depreciation	14,157	1,957	777	16,891
Interest and Finance Expense	-	14,555	-	14,555
Advertising	9,792	562	346	10,700
Employee Benefits	8,300	871	346	9,517
Taxes, Licenses, and Fees	4,797	18	3,134	7,949
Repairs and Maintenance	6,687	35	14	6,736
Miscellaneous	6,117	31	12	6,160
Travel	5,552	168	67	5,787
Bank Service Charges	-	3,191	-	3,191
Events	765	97	38	900
	<u>765</u>	<u>97</u>	<u>38</u>	<u>900</u>
Total Expenses	<u>\$ 733,950</u>	<u>\$ 88,484</u>	<u>\$ 56,153</u>	<u>\$ 878,587</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, 2016 and 2015

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, 2016 and 2015

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: CONTRIBUTIONS RECEIVABLE

A significant portion of the contributions receivable consists of a \$100,000 pledge made in 2007, to be paid over ten years. The receivable portion of the grant was recorded at present value using a 4% discount rate. The details of the receivable are as follows:

Current pledge receivable (Within 1 year)	<u>\$ 10,000</u>
Total pledge receivable as of December 31, 2016:	<u><u>\$ 10,000</u></u>

The remainder of contributions receivable represents contributions that were postmarked by December 31st and received in January of the following year.

NOTE 4: NOTES PAYABLE

On August 9, 2011, the Organization secured loans of \$203,200 and \$186,296, from The Huntington National Bank, each bearing interest at 6%. In July 2013, the Organization sold its building and the proceeds from the sale were applied to these loans. The remaining balances of the loans were rolled into a new loan of \$177,791. The loan is payable in 23 regular payments of \$1,741 and one irregular payment estimated at \$148,490 on August 5, 2015. The note bears a variable interest rate based on the Lender's Prime Commercial Rate index. The rate was 3.25% at the time of the loan. The loan is collateralized by the assets of the Organization. This loan was refinanced in August 2015 and subsequently paid in full as of October 31, 2015.

Christian Freedom International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE 4: NOTES PAYABLE (CONTINUED)

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, 2016 are as follows:

2017	\$ 3,196
2018	3,327
2019	3,462
2020	3,603
2021	3,725
Thereafter	<u>93,493</u>
Total Notes Payable	<u>\$ 110,806</u>

Interest expense on these loans totaled \$4,119 and \$8,119 in 2016 and 2015, respectively.

NOTE 5: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of time restricted net assets of \$10,000 and \$19,615, as of December 31, 2016 and 2015, 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 \$46,041 and \$90,259 of joint costs for 2016 and 2015, respectively.

	<u>2016</u>	<u>2015</u>
Cost allocated to program	\$ 30,122	\$ 63,528
Cost allocated to fundraising	<u>15,919</u>	<u>26,731</u>
Total Costs	<u>\$ 46,041</u>	<u>\$ 90,259</u>

NOTE 7: RELATED PARTY TRANSACTIONS

The Organization has an economic interest in an affiliated organization, the Growth & Opportunity Foundation (G&O). While the Organization shares a single common board member with G&O, it does not have control. Therefore, its operations are not consolidated in the financial statements of the Organization. During 2016 and 2015, respectively, the Organization made grants totaling \$233,700 and \$175,700 to G&O for program assistance

Christian Freedom International, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

NOTE 7: RELATED PARTY TRANSACTIONS (CONTINUED)

and operating costs. These amounts are reported as mission support expense in the statement of functional expenses.

NOTE 8: RECLASSIFICATIONS

Certain 2015 amounts have been reclassified to conform to the 2016 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 15, 2017, the date on which the financial statements were available to be issued.