



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016



Vredeveld Haefner LLC
CPAs and Consultants

FREE THE OPPRESSED

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January 29, 2018

Board of Directors
Free the Oppressed
Colorado Springs, CO

Report on the Financial Statements

We have audited the accompanying financial statements of Free the Oppressed (a nonprofit organization), which comprise the statement of financial position as of December 31 2016, 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 from 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 Free the Oppressed as of December 31, 2016, 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.

Vredevelde Haefner LLC

FREE THE OPPRESSED

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

Assets

Current assets	
Cash and cash equivalents	\$ 460,692
Deposits held by others	92,817
Cash advances in the field	70,398
Prepaid expenses	<u>13,710</u>
Total current assets	<u>637,617</u>
Property and equipment	235,772
Less accumulated depreciation	<u>(5,305)</u>
Net property and equipment	<u>230,467</u>
Total assets	<u><u>\$ 868,084</u></u>

Liabilities and net assets

Current liabilities	
Accounts payable	<u>\$ 2,286</u>
Net assets	
Net assets without donor restriction	471,992
Net assets with donor restriction	<u>393,806</u>
Total net assets	<u>865,798</u>
Total liabilities and net assets	<u><u>\$ 868,084</u></u>

The accompanying notes are an integral part of these financial statements.

FREE THE OPPRESSED
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions	\$ 462,906	\$ 1,478,479	\$ 1,941,385
Donated items (gifts-in-kind)	40,350	-	40,350
Other income	2,877	-	2,877
Total revenues and other support	<u>506,133</u>	<u>1,478,479</u>	<u>1,984,612</u>
 Recassifications			
Net assets released due to satisfaction of time or program restriction	<u>1,145,371</u>	<u>(1,145,371)</u>	<u>-</u>
 Expenses			
Program services			
Burma ministries	763,433	-	763,433
Middle East ministries	185,172	-	185,172
Thailand ministries	94,047	-	94,047
Advocacy	66,430	-	66,430
Total program services	<u>1,109,082</u>	<u>-</u>	<u>1,109,082</u>
Supporting services			
Management and general	<u>137,967</u>	<u>-</u>	<u>137,967</u>
Total expenses	<u>1,247,049</u>	<u>-</u>	<u>1,247,049</u>
 Change in net assets	404,455	333,108	737,563
 Net assets, beginning of year	<u>67,537</u>	<u>60,698</u>	<u>128,235</u>
 Net assets, end of year	<u><u>\$ 471,992</u></u>	<u><u>\$ 393,806</u></u>	<u><u>\$ 865,798</u></u>

The accompanying notes are an integral part of these financial statements.

FREE THE OPPRESSED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities	
Cash received from donors and other income	\$ 1,942,158
Cash paid to vendors, IDPs, and employee	<u>(1,333,176)</u>
Net cash provided by (used in) operating activities	608,982
Cash flows from investing activities	
Purchase of capital equipment	(197,073)
Effect of exchange rate changes	<u>2,104</u>
Net increase (decrease) in cash and cash equivalents	414,013
Cash and cash equivalents, beginning of year	<u>46,679</u>
Cash and cash equivalents, end of year	<u><u>\$ 460,692</u></u>
Reconciliation of increase in net assets to net cash provided by (used in) operating activities	
Change in net assets	\$ 737,563
Adjustments:	
Depreciation	5,305
Donated items (gifts-in-kind)	(40,350)
Exchange gain	(2,104)
Changes in the operating assets and liabilities which provided (used) cash	
Prepaid expenses	(12,059)
Deposits held by others	(92,817)
Cash advances in the field	11,158
Accounts payable and accrued expenses	<u>2,286</u>
Net cash provided by (used in) operating activities	<u><u>\$ 608,982</u></u>

The accompanying notes are an integral part of these financial statements.

FREE THE OPPRESSED
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services				Supporting Services	
	Middle				Management and General	Total
	Burma Ministries	East Ministries	Thailand Ministries	Advocacy		
Relief activities	\$ 273,967	\$ 88,609	\$ -	\$ -	\$ -	\$ 362,576
JSMK	137,995	-	-	-	-	137,995
Stipends & support	61,615	2,701	72,046	-	-	136,362
Travel	16,704	52,726	-	30,100	30,100	129,630
Training relief teams	104,082	-	-	-	-	104,082
Other administration	-	-	-	-	74,500	74,500
Medical	61,358	7,684	-	-	-	69,042
Good Life Club	36,628	10,615	-	-	-	47,243
Payroll	13,564	13,564	4,521	4,521	9,043	45,213
Field communication and office training	30,530	-	-	-	-	30,530
Vehicles	9,877	4,370	7,327	2,093	4,187	27,854
Global Day of Prayer	-	-	-	22,134	-	22,134
Facilities	2,320	550	-	-	16,875	19,745
Communication	4,362	4,353	644	3,723	2,089	15,171
Maesarieng	-	-	8,923	-	-	8,923
IDP	6,269	-	-	-	-	6,269
Books and Bibles	4,162	-	-	-	-	4,162
Ranch ministries	-	-	586	1,173	1,173	2,932
Other expenses	-	-	-	2,686	-	2,686
Total expenses	\$ 763,433	\$ 185,172	\$ 94,047	\$ 66,430	\$ 137,967	\$ 1,247,049

The accompanying notes are an integral part of these financial statements.

FREE THE OPPRESSED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

a) NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Free the Oppressed is a not-for-profit corporation exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. It was organized exclusively for religious, charitable, and educational purposes and operates primarily outside of the United States in places of oppression. The specific purposes and objectives of the corporation shall include but not be limited to the following:

- a) supporting, encouraging, and facilitating the loving and saving gospel of Jesus Christ while working and helping people of different religions and creeds;
- b) training and sending humanitarian relief teams of medics, teachers, pastors, and others to provide emergency assistance to people of different races and ethnicities in need;
- c) providing support, assistance, and resources to Christian workers and others in need around the world;
- d) creating and facilitating relationships between churches, organizations, individuals, and others who are supportive of reconciliation and unity; and
- e) cooperating with and supporting other projects and organizations that are organized and operated for similar purposes.

Basis of Presentation

The Organization's financial statements have been prepared in accordance with U.S. general accepted accounting principles (US GAAP). The Organization implemented Financial Accounting Standards Board Update No. 2016-14 for the year-ended December 31, 2016 which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. The Organization had no perpetual restricted net assets.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual results could differ from those estimates.

FREE THE OPPRESSED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks and cash on hand. The Organization considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Organization maintains accounts in the United States of America and foreign countries. The deposits in the United States of America are demand deposits in banks that are insured by the Federal Deposit Insurance Corporation up to the legal limit. At times during the year ended December 31, 2016, the bank balance in these accounts exceeded the insured limit. Management believes the Organization is not exposed to any significant interest rate or other risk on these deposits.

Deposits Held by Others

Deposits held by others consists of demand deposits in an overseas bank account held by David and Karen Eubank (the organization's chairman and CEO and his wife). The Organization has entered an agency agreement with the Eubanks that states the demand deposits are to be used only for the Organization's purposes.

Cash Advances in the Field

Cash advances in the field consists of cash that has been given to team members in the field to enter into transactions with entities and individuals on the front-lines of war zones in Burma, Iraq, and Sudan.

Prepaid Expenses

Payments to vendors for services that will benefit periods beyond the Organization's fiscal year-end are recorded as prepaid expenses.

Property and Equipment and Depreciation

Property and equipment consists of a dormitory building, vehicles, an airplane, and office equipment, which are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis, which range generally from 3 to 10 years.

The organization entered a facilities funding agreement with David and Karen Eubank (the Organization's Chairman and CEO and his wife) to construct the dormitory building on land that is owned by the Eubanks in Thailand. The dormitory building is to be used to house visitors from Burma who serve and receive service from the Organization and for other activities in furtherance of the charitable purposes of the Organization for a period of 10 years from its completion, provided that the Organization provides funding for its operating expenses commensurate with such use throughout that period. After December 1, 2026 (the end of the 10 year period) the agreement may be terminated by either party. The Organization is depreciating the building over 10 years (the term of the agreement).

FREE THE OPPRESSED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Revenue Recognition

Contributions received are recorded as revenues and additions to net assets with donor restrictions or without donor restrictions depending on the existence, nature and satisfaction of any donor imposed restrictions.

Promises to give are recorded as revenues and additions to net assets at the present value of their estimated future cash flows when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give without donor restriction that are expected to be collected within one year increase net assets without donor restriction. Unconditional promises to give with restriction by the donor or without restriction by the donor and not expected to be collected within one year (an implied time restriction) are reported as increases in net assets with donor restriction. When a restriction has been satisfied or a time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The discount on promises to give are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Donated Services

No amounts have been reflected in the financial statements for donated services, as the donated services do not meet the criteria for recording such activity. However, a substantial number of volunteers have donated significant amounts of their time in furtherance of the Organization's purpose.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Income tax returns filed for fiscal years 2014 through 2016 remain open and subject to audit by regulatory authorities. The Organization concludes that there are no significant uncertain tax positions requiring recognition in the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated significant events and transactions for potential recognition or disclosure subsequent to December 31, 2016 and through the auditors' report date, the date the financial statements were available to be issued. On March 10, 2017, management renewed the office lease in Thailand, which has been included in the lease commitment note.

FREE THE OPPRESSED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

b) PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at December 31, 2016:

Building	\$ 14,409
Vehicles	163,258
Airplane	55,197
Equipment	<u>2,908</u>
Total property and equipment	235,772
Less: accumulated depreciation	<u>(5,305)</u>
Property and equipment, net	<u>\$ 230,467</u>

c) DONATED MATERIALS

Donated materials consist of the following for the year ended:

In-kind items:	
Cessna 172 Airplane	\$ 40,050
Materials	<u>300</u>
Total received	<u>\$ 40,350</u>

d) LEASE COMMITMENTS

The Organization leases certain property under non-cancellable leases with an initial period of greater than one year. Rental expense for the year ended December 31, 2016 was \$8,785. Minimum future payments on these leases as of year-end are as follows:

Year Ended December 31,	
2017	\$ 24,742
2018	<u>1,641</u>
Total	<u>\$ 26,383</u>

FREE THE OPPRESSED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

e) FUNCTIONAL EXPENSE

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis.

Significant expenses that are allocated include the following:

Expense	Method of allocation
Travel	Time and effort
Communications	Time and effort
Ranch Ministry	Time and effort
Vehicles	Utilization
Payroll	Time and effort

f) NET ASSETS

Net assets with donor restrictions at year end were as follows:

Specific purpose restriction	
Jungle School of Medicine support	\$126,619
Middle East support	208,427
Burma support	27,745
Thailand support	21,168
Medical support	3,621
Good life club support	3,526
Travel	2,700
Total	<u>\$393,806</u>

Net assets released from net assets with donor restrictions are as follows:

Satisfaction of purpose restriction	
Middle East support	\$ 608,501
Jungle School of Medicine support	302,451
Burma support	95,829
Thailand support	80,764
Good life club support	31,997
Medical support	25,829
Total	<u>\$1,145,371</u>

FREE THE OPPRESSED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

g) AVAILABILITY AND LIQUIDITY

The following represents the liquid portion of the Organization's financial assets and liabilities at year end:

Financial assets and liabilities at year end	
Cash and cash equivalents	\$460,692
Deposits held by others	92,817
Cash advances in the field	70,398
Prepaid expenses	13,710
Accounts payable	<u>(2,286)</u>
Net financial assets (liabilities)	635,331
Less amounts not available to be used within one year unless donor restriction has been met	
Net assets with donor restrictions	<u>393,806</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$241,525</u>

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