



FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016



Vredeveld Haefner LLC
CPAs and Consultants

FREE THE OPPRESSED

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Vredevelde Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredevelde, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

February 8, 2019

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, 2017 and 2016, 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 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, 2017 and 2016, 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.

Vredevelde Haefner LLC

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FINANCIAL STATEMENTS

FREE THE OPPRESSED
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 and 2016

| Assets | <u>2017</u> | <u>2016</u> |
|---|----------------------------|--------------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 607,381 | \$ 460,692 |
| Deposits held by others | 38,373 | 92,817 |
| Cash advances in the field | 51,128 | 70,398 |
| Prepaid expenses | <u>10,330</u> | <u>13,710</u> |
| Total current assets | 707,212 | 637,617 |
| Building, vehicles, and equipment | 383,389 | 235,772 |
| Less accumulated depreciation | <u>(59,424)</u> | <u>(5,305)</u> |
| Net Building, vehicles, and equipment | <u>323,965</u> | <u>230,467</u> |
| Total assets | <u><u>\$ 1,031,177</u></u> | <u><u>\$ 868,084</u></u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | \$ <u>8,936</u> | \$ <u>2,286</u> |
| Net assets | | |
| Net Assets without Donor Restriction | 609,804 | 471,992 |
| Net Assets with Donor Restriction | <u>412,437</u> | <u>393,806</u> |
| Total net assets | <u>1,022,241</u> | <u>865,798</u> |
| Total liabilities and net assets | <u><u>\$ 1,031,177</u></u> | <u><u>\$ 868,084</u></u> |

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

FREE THE OPPRESSED
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

| | 2017 | | | 2016 | | |
|---|---|------------------------------------|---------------------|---|------------------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues and other support | | | | | | |
| Contributions | \$ 876,531 | \$ 1,105,810 | \$ 1,982,341 | \$ 462,906 | \$ 1,478,479 | \$ 1,941,385 |
| Donated Items (Gifts-in-Kind) | 66,967 | — | 66,967 | 40,350 | — | 40,350 |
| Other income | 166 | — | 166 | 2,877 | — | 2,877 |
| Total revenues and other support | 943,664 | 1,105,810 | 2,049,474 | 506,133 | 1,478,479 | 1,984,612 |
| Recassifications | | | | | | |
| Net assets released due to satisfaction of time or program restriction | 1,087,179 | (1,087,179) | — | 1,145,371 | (1,145,371) | — |
| Expense | | | | | | |
| Program services | | | | | | |
| Burma ministries | 959,758 | — | 959,758 | 763,433 | — | 763,433 |
| Middle East ministries | 582,938 | — | 582,938 | 185,172 | — | 185,172 |
| Thailand ministries | 79,184 | — | 79,184 | 94,047 | — | 94,047 |
| Advocacy | 71,870 | — | 71,870 | 66,430 | — | 66,430 |
| Total program services | 1,693,750 | — | 1,693,750 | 1,109,082 | — | 1,109,082 |
| Supporting services | | | | | | |
| Management and general | 216,588 | — | 216,588 | 137,967 | — | 137,967 |
| Total operating expense | 1,910,338 | — | 1,910,338 | 1,247,049 | — | 1,247,049 |
| Change in net assets | 120,505 | 18,631 | 139,136 | 404,455 | 333,108 | 737,563 |
| Net assets, beginning of year | 471,992 | 393,806 | 865,798 | 68,256 | 60,698 | 128,954 |
| Currency Translation Adjustment | 17,307 | — | 17,307 | (719) | — | (719) |
| Net assets, end of year | <u>\$ 609,804</u> | <u>\$ 412,437</u> | <u>\$ 1,022,241</u> | <u>\$ 471,992</u> | <u>\$ 393,806</u> | <u>\$ 865,798</u> |

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

FREE THE OPPRESSED
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|------------------------------|------------------------------|
| Cash flows from operating activities | | |
| Cash received from donors and other income | \$ 1,982,507 | \$ 1,942,158 |
| Cash paid to vendors, IDPs, and employee | <u>(1,706,013)</u> | <u>(1,333,176)</u> |
| Net cash provided by (used in) operating activities | <u>276,494</u> | <u>608,982</u> |
| Cash flows from investing activities | | |
| Purchase of capitalized equipment | <u>(144,057)</u> | <u>(197,073)</u> |
| Net cash provided by (used in) investing activities | <u>(144,057)</u> | <u>(197,073)</u> |
| Effect of exchange rate changes on cash | <u>14,252</u> | <u>2,104</u> |
| Net increase (decrease) in cash and cash equivalents | <u>146,689</u> | <u>414,013</u> |
| Cash and cash equivalents, beginning of year | <u>460,692</u> | <u>46,679</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 607,381</u></u> | <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 | \$ 139,136 | \$ 737,563 |
| Adjustments: | | |
| Depreciation | 53,614 | 5,305 |
| Donated items (gifts in-kind) | | (40,350) |
| Exchange gain | — | (2,104) |
| Changes in the operating assets and liabilities which provided (used) cash | | |
| Deposits held by others | 54,444 | (92,817) |
| Cash advances in the field | 19,270 | (12,059) |
| Prepaid expenses | 3,380 | 11,158 |
| Accounts payable and accrued expenses | <u>6,650</u> | <u>2,286</u> |
| Net cash provided by (used in) operating activities | <u><u>\$ 276,494</u></u> | <u><u>\$ 608,982</u></u> |

Non cash transactions:

In 2017 the Organization received 66,967 of in kind gifts that were used in operations. See Note 3 for additional information

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

FREE THE OPPRESSED
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Program Services | | | | Supporting Services | Total |
|-----------------------|-------------------------|-------------------------------|----------------------------|------------------|-------------------------------|---------------------|
| | Burma Ministries | Middle East Ministries | Thailand Ministries | Advocacy | Management and General | |
| Relief activities | \$ 420,114 | \$ 226,258 | \$ 33,148 | \$ - | \$ - | \$ 679,520 |
| Travel | 41,547 | 115,220 | - | 26,883 | 26,883 | 210,533 |
| Vehicles | 14,416 | 103,834 | 16,918 | 3,804 | 7,608 | 146,580 |
| Medical | 122,113 | 18,153 | - | - | - | 140,266 |
| Other Administration | - | - | - | - | 128,168 | 128,168 |
| Stipends & support | 58,773 | 38,512 | 20,773 | - | - | 118,058 |
| JSMK | 111,657 | - | - | - | - | 111,657 |
| Good Life Club | 37,207 | 26,552 | - | - | - | 63,759 |
| Facilities | - | 33,641 | - | - | 15,405 | 49,046 |
| Payroll | 15,502 | 15,502 | 5,167 | 5,167 | 10,334 | 51,672 |
| Training Relief Teams | 48,533 | - | - | - | - | 48,533 |
| Maesarieng | 38,927 | - | - | - | - | 38,927 |
| Global Day of Prayer | - | - | - | 27,152 | - | 27,152 |
| Communication | 19,353 | 1,337 | 532 | 1,419 | 1,064 | 23,705 |
| Fundraising Expenses | - | - | - | - | 21,834 | 21,834 |
| IDP | 16,230 | - | - | - | - | 16,230 |
| Ranch Ministries | - | - | 2,646 | 5,292 | 5,292 | 13,230 |
| Field communication | 8,034 | 3,929 | - | - | - | 11,963 |
| Books and Bibles | 7,352 | - | - | - | - | 7,352 |
| Other Expenses | - | - | - | 2,153 | - | 2,153 |
| Total expenses | \$ 959,758 | \$ 582,938 | \$ 79,184 | \$ 71,870 | \$ 216,588 | \$ 1,910,338 |

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 | Total |
|---|-------------------------|------------------------------|------------------------|------------------|----------------------------|---------------------|
| | Burma Ministries | Middle East Ministries | Thailand Ministries | Advocacy | Management and General | |
| 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.

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FREE THE OPPRESSED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

1. 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. 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 has implemented Financial Accounting Standards Board Update No. 2016-14 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 YEARS ENDED DECEMBER 31, 2017 AND 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 demand deposits in banks that are insured by the Federal Deposit Insurance Corporation up to the legal limit. At times during the years ended December 31, 2017 and 2016, the bank balance on 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 a 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 organizational 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 dorm 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 dorm building on land that is owned by the Eubanks in Thailand. The dorm 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 dorm over its 10 year estimated life.

FREE THE OPPRESSED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 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 program services.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Generally, income tax returns filed within the last three years 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.

Functional Allocation of Expenses

The costs to provide the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

In preparing these financial statements, management has evaluated significant events and transactions for potential recognition or disclosure subsequent to December 31, 2017 and through the auditors' report date, the date the financial statements were available to be issued. On March 10, 2018, 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 YEARS ENDED DECEMBER 31, 2017 AND 2016

2. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at year end:

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|--------------------------|--------------------------|
| Building | \$ 15,846 | \$ 14,409 |
| Vehicles | 300,580 | 163,258 |
| Airplane | 55,197 | 55,197 |
| Equipment | <u>11,766</u> | <u>2,908</u> |
| Total property and equipment | 383,389 | 235,772 |
| Less: accumulated depreciation | <u>(59,424)</u> | <u>(5,305)</u> |
| Property and equipment, net | <u>\$ 323,965</u> | <u>\$ 230,467</u> |

3. DONATED MATERIALS

Donated materials consist of the following for the year ended:

| | <u>2017</u> | <u>2016</u> |
|-----------------------|-------------------------|-------------------------|
| In-kind items: | | |
| Medical Supplies | \$ 66,073 | \$ - |
| Postage | 894 | - |
| Cessna 172 Airplane | - | 40,050 |
| Materials | <u>-</u> | <u>300</u> |
| Total received | <u>\$ 66,967</u> | <u>\$ 40,350</u> |

4. 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, 2017 was \$26,110. Rental expense for the year ended December 31, 2016 was \$8,785. Minimum future payments on these leases as of December 31, 2017 are as follows:

| <u>Year Ended December 31,</u> | |
|--|-------------------------|
| 2018 | \$ 26,096 |
| 2019 | <u>1,830</u> |
| Total | <u>\$ 27,926</u> |

FREE THE OPPRESSED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

5. 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 |
| Payroll | Time and effort |
| Vehicles | Utilization |

6. NET ASSETS

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

| Specific purpose restriction | <u>2017</u> | <u>2016</u> |
|--------------------------------------|-------------------------|-------------------------|
| Middle East Ministries | \$224,460 | \$208,427 |
| Jungle School of Medicine Kawthoolei | 123,971 | 126,619 |
| Burma Ministries | 25,356 | 27,745 |
| Thailand Ministries | 10,433 | 21,168 |
| Medical Support | 13,495 | 3,621 |
| Good Life Club | 13,074 | 3,526 |
| Education | 1,648 | - |
| Travel | - | 2,700 |
| Total | <u>\$412,437</u> | <u>\$393,806</u> |

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

| Satisfaction of purpose restriction | <u>2017</u> | <u>2016</u> |
|--|---------------------------|---------------------------|
| Middle East Ministries | \$ 578,359 | \$608,501 |
| Burma Ministries | 210,192 | 95,829 |
| Jungle School of Medicine Kawthoolei | 166,354 | 302,451 |
| Thailand Ministries | 83,560 | 80,764 |
| Medical Support | 14,714 | 25,829 |
| Good Life Club | 22,795 | 31,997 |
| Education | 7,472 | - |
| Travel | 3,733 | - |
| Total | <u>\$1,087,179</u> | <u>\$1,145,371</u> |

FREE THE OPPRESSED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

7. 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 | <u>2017</u> | <u>2016</u> |
|--|-------------------------|-------------------------|
| Cash and cash equivalents | \$607,381 | \$460,692 |
| Deposits held by others | 38,373 | 92,817 |
| Cash advances in the field | 51,128 | 70,398 |
| Prepaid expenses | 10,330 | 13,710 |
| Accounts payable | <u>(8,936)</u> | <u>(2,286)</u> |
| Net financial assets (liabilities) | 698,276 | 635,331 |
| Less amounts not available to be used within one year unless donor restriction has been met | | |
| Net assets with donor restrictions | <u>412,437</u> | <u>393,806</u> |
| Financial assets available to meet general expenditures over the next 12 months | <u>\$285,839</u> | <u>\$241,525</u> |

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