



FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017



Vredeveld Haefner LLC
CPAs and Consultants

FREE THE OPPRESSED

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6-7
Notes to the Financial Statements	9-14



Vredeveld Haefner LLC

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

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

January 10, 2020

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, 2018 and 2017, 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, 2018 and 2017, 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.

Vredeveld Haefner LLC

(This page left intentionally blank)

FINANCIAL STATEMENTS

FREE THE OPPRESSED
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 and 2017

Assets	2018	2017
Current assets		
Cash and cash equivalents	\$ 656,282	\$ 607,381
Deposits held by others	105,061	38,373
Cash advances in the field	55,690	51,128
Prepaid expenses	<u>1,844</u>	<u>10,330</u>
Total current assets	818,877	707,212
Land, building, vehicles, and equipment	647,065	383,389
Less accumulated depreciation	<u>(148,607)</u>	<u>(59,424)</u>
Net land, building, vehicles, and equipment	498,458	323,965
Intangible assets	<u>3,000</u>	<u>—</u>
Total assets	\$ <u>1,320,335</u>	\$ <u>1,031,177</u>
 Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ <u>16,140</u>	\$ <u>8,936</u>
Net assets		
Net assets without donor restriction	856,939	609,804
Net assets with donor restriction	<u>447,256</u>	<u>412,437</u>
Total net assets	<u>1,304,195</u>	<u>1,022,241</u>
Total liabilities and net assets	\$ <u>1,320,335</u>	\$ <u>1,031,177</u>

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

FREE THE OPPRESSED
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Contributions	\$ 1,030,803	\$ 1,351,660	\$ 2,382,463	\$ 876,531	\$ 1,105,810	\$ 1,982,341
Donated items (gifts-in-kind)	3,482	66,373	69,855	66,967	—	66,967
Other income	362	—	362	166	—	166
Total operating revenues	1,034,647	1,418,033	2,452,680	943,664	1,105,810	2,049,474
Recassifications						
Net assets released due to satisfaction of time or program restriction	1,383,214	(1,383,214)	—	1,087,179	(1,087,179)	—
Expenditures						
Program services						
Burma ministries	1,150,023	—	1,150,023	959,758	—	959,758
Middle East ministries	554,384	—	554,384	582,938	—	582,938
Thailand ministries	154,935	—	154,935	79,184	—	79,184
Advocacy	79,376	—	79,376	71,870	—	71,870
Total program services	1,938,718	—	1,938,718	1,693,750	—	1,693,750
Supporting services						
Management and general	232,998	—	232,998	216,588	—	216,588
Total operating expenditures	2,171,716	—	2,171,716	1,910,338	—	1,910,338
Change in net assets	246,145	34,819	280,964	120,505	18,631	139,136
Net assets, beginning of year	609,804	412,437	1,022,241	471,992	393,806	865,798
Currency translation adjustment	990	—	990	17,307	—	17,307
Net assets, end of year	<u>\$ 856,939</u>	<u>\$ 447,256</u>	<u>\$ 1,304,195</u>	<u>\$ 609,804</u>	<u>\$ 412,437</u>	<u>\$ 1,022,241</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Cash received from donors and other income	\$ 2,382,825	\$ 1,982,507
Cash paid to vendors, IDPs, and employee	<u>(2,071,307)</u>	<u>(1,706,013)</u>
 Net cash provided by (used in) operating activities	 <u>311,518</u>	 <u>276,494</u>
 Cash flows from investing activities		
Purchase of capitalized equipment	<u>(263,304)</u>	<u>(144,057)</u>
 Net cash provided by (used in) investing activities	 <u>(263,304)</u>	 <u>(144,057)</u>
 Effect of exchange rate changes on cash	 <u>687</u>	 <u>14,252</u>
 Net increase (decrease) in cash and cash equivalents	 <u>48,901</u>	 <u>146,689</u>
 Cash and cash equivalents, beginning of year	 <u>607,381</u>	 <u>460,692</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 656,282</u></u>	 <u><u>\$ 607,381</u></u>
 Reconciliation of increase in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ 280,964	\$ 139,136
Adjustments:		
Depreciation	89,114	53,614
Donated items (in-kind contributions)	(69,855)	(66,967)
Donated items (expensed)	69,855	66,967
Changes in the operating assets and liabilities which provided (used) cash		
Deposits held by others	(66,688)	54,444
Cash advances in the field	(4,562)	19,270
Prepaid expenses	8,486	3,380
Intangible assets	(3,000)	—
Accounts payable and accrued expenses	<u>7,204</u>	<u>6,650</u>
 Net cash provided by (used in) operating activities	 <u><u>\$ 311,518</u></u>	 <u><u>\$ 276,494</u></u>

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

FREE THE OPPRESSED
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services	Total
	Burma Ministries	Middle East Ministries	Thailand Ministries	Advocacy	Management and General	
Relief activities	346,999	282,316	39,939	—	—	669,254
Training relief teams	246,571	1,839	—	—	—	248,410
Medical	135,130	12,189	12,200	—	—	159,519
Travel	32,542	83,680	5,825	19,682	19,682	161,411
JSMK	160,480	—	—	—	—	160,480
Stipends & support	80,455	18,842	52,225	—	—	151,522
Other administration	—	—	—	—	145,084	145,084
Vehicles	29,325	85,202	35,468	5,138	10,276	165,409
Payroll	17,762	17,762	5,921	5,921	11,842	59,208
Good Life Club	33,964	24,708	—	—	—	58,672
Facilities	—	24,930	—	—	16,638	41,568
Global day of prayer	—	—	—	39,161	—	39,161
Communication	25,010	816	643	1,715	1,286	29,470
Fundraising expenses	—	—	—	—	22,762	22,762
Maesarieng	19,460	—	—	—	—	19,460
IDP	14,694	—	—	—	—	14,694
Ranch ministries	—	—	2,714	5,428	5,428	13,570
Books and bibles	5,472	—	—	—	—	5,472
Field communication	2,159	2,100	—	—	—	4,259
Other expenses	—	—	—	2,331	—	2,331
Total expenses	1,150,023	554,384	154,935	79,376	232,998	2,171,716

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	
	Burma Ministries	Middle East Ministries	Thailand Ministries	Advocacy	Management and General	Total
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	<u>\$ 959,758</u>	<u>\$ 582,938</u>	<u>\$ 79,184</u>	<u>\$ 71,870</u>	<u>\$ 216,588</u>	<u>\$ 1,910,338</u>

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

(This page left intentionally blank)

FREE THE OPPRESSED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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 net assets restricted in perpetuity.

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, 2018 AND 2017

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. The Organization also has deposits held in foreign banks. At times during the years ended December 31, 2018 and 2017, 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, 2018 AND 2017

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, 2018 and through the auditors' report date, the date the financial statements were available to be issued. On March 20, 2019, 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, 2018 AND 2017

2. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at year end:

	<u>2018</u>	<u>2017</u>
Land	\$ 123,801	\$ -
Building	15,969	15,846
Vehicles	424,124	300,580
Airplane	55,197	55,197
Equipment	<u>27,974</u>	<u>11,766</u>
Total property and equipment	647,065	383,389
Less: accumulated depreciation	<u>(148,607)</u>	<u>(59,424)</u>
Property and equipment, net	<u>\$ 498,458</u>	<u>\$ 323,965</u>

3. DONATED MATERIALS

Donated materials consist of the following for the year ended:

	<u>2018</u>	<u>2017</u>
In-kind items:		
Medical Supplies	\$ 66,073	\$ 66,073
Materials	3,324	300
Postage	<u>458</u>	<u>894</u>
Total received	<u>\$ 69,855</u>	<u>\$ 66,967</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, 2018 was \$26,514. Rental expense for the year ended December 31, 2017 was \$26,110. Minimum future payments on these leases as of December 31, 2018 are as follows:

<u>Year Ended</u> <u>December 31,</u>	
2019	\$ 26,511
2020	<u>1,844</u>
Total	<u>\$ 28,355</u>

FREE THE OPPRESSED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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>2018</u>	<u>2017</u>
Middle East Ministries	\$252,152	\$224,460
Burma Ministries	99,829	25,356
Thailand Ministries	33,791	10,433
Jungle School of Medicine Kawthoolei	29,200	123,971
Good Life Club	23,347	13,074
Medical Support	8,937	13,495
Education	-	1,648
Total	<u>\$447,256</u>	<u>\$412,437</u>

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

Satisfaction of purpose restriction	<u>2018</u>	<u>2017</u>
Middle East Ministries	\$ 470,909	\$ 578,359
Thailand Ministries	347,584	83,560
Jungle School of Medicine Kawthoolei	309,403	166,354
Burma Ministries	127,122	210,192
Medical Support	66,219	14,714
Good Life Club	52,630	22,795
Education	9,347	7,472
Travel	-	3,733
Total	<u>\$1,383,214</u>	<u>\$1,087,179</u>

FREE THE OPPRESSED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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>2018</u>	<u>2017</u>
Cash and cash equivalents	\$656,282	\$607,381
Deposits held by others	105,061	38,373
Cash advances in the field	55,690	51,128
Prepaid expenses	1,844	10,330
Accounts payable	<u>(16,140)</u>	<u>(8,936)</u>
Net financial assets (liabilities)	802,737	698,276
Less amounts not available to be used within one year unless donor restriction has been met		
Net assets with donor restrictions	<u>447,256</u>	<u>412,437</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$355,481</u>	<u>\$285,839</u>

* * * * *