

**FREEDOM'S PROMISE AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT ACCOUNTANTS'
COMPILATION REPORT
DECEMBER 31, 2016**

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Table of Contents

	<u>Page Number</u>
Independent Accountants' Compilation Report	1
Consolidated Statement of Financial Position.....	2
Consolidated Statement of Activities and Changes in Net Assets	3
Consolidated Statement of Functional Expenses.....	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6-8

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
Freedom's Promise and Subsidiary

Management is responsible for the accompanying consolidated financial statements of Freedom's Promise and Subsidiary (the Organization), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the consolidated financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these consolidated financial statements.

Blankenship CPA Group, PLLC
July 21, 2017

**FREEDOM'S PROMISE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

ASSETS

Current assets:	
Cash	\$ 121,723
Prepaid expenses	2,485
Inventory	<u>400</u>
Total current assets	<u>124,608</u>
Furniture and equipment	5,215
Less: accumulated depreciation	<u>(1,604)</u>
Furniture and equipment, net	<u>3,611</u>
Total assets	<u><u>\$ 128,219</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accrued expenses	<u>\$ 750</u>
Net assets:	
Unrestricted net assets	<u>127,469</u>
Total liabilities and net assets	<u><u>\$ 128,219</u></u>

See accompanying notes to consolidated financial statements and independent accountants' compilation report.

**FREEDOM'S PROMISE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND
CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016**

UNRESTRICTED REVENUE AND SUPPORT

Contributions	\$ 276,693
Grants	10,000
Fundraising	190,435
Merchandise sales and other income	<u>7,009</u>
Total Unrestricted Revenue and Support	<u>484,137</u>

FUNCTIONAL EXPENSES

Program services	319,465
Management and general	90,530
Fundraising	<u>59,734</u>
Total Functional Expenses	<u>469,729</u>
Increase in Unrestricted Net Assets	14,408
Net assets, beginning of year	<u>113,061</u>
Net assets, end of year	<u><u>\$ 127,469</u></u>

See accompanying notes to consolidated financial statements and independent accountants' compilation report.

**FREEDOM'S PROMISE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	Program Services	Management and General	Fund- Raising	Total
Salaries, benefits and payroll taxes	\$ 43,965	\$ 48,408	\$ -	\$ 92,373
Contributions and grants	214,853	-	-	214,853
Travel	39,443	1,807	-	41,250
Technology	1,568	984	-	2,552
Professional fees	1,056	16,382	-	17,438
Office expense	5,679	3,530	-	9,209
Taxes and licenses	557	220	-	777
Bank charges	2,548	2,428	-	4,976
Insurance	-	1,603	-	1,603
Depreciation	465	468	-	933
Board expenses	-	877	-	877
Professional development	2,982	1,287	-	4,269
Marketing	-	1,370	-	1,370
Rent	6,321	6,321	-	12,642
Meals and entertainment	28	620	-	648
Contractors	-	4,225	-	4,225
Special events	-	-	59,734	59,734
	<u>\$ 319,465</u>	<u>\$ 90,530</u>	<u>\$ 59,734</u>	<u>\$ 469,729</u>

See accompanying notes to consolidated financial statements and independent accountants' compilation report.

**FREEDOM'S PROMISE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016**

Cash flows from operating activities:	
Increase in unrestricted net assets	\$ 14,408
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:	
Depreciation	933
Changes in assets and liabilities:	
Prepaid expenses	(1,435)
Accrued expenses	<u>(1,020)</u>
Net cash provided by operating activities	<u>12,886</u>
Cash flows from investing activities:	
Purchases of furniture and equipment	<u>(4,090)</u>
Net cash used by investing activities	<u>(4,090)</u>
Net increase in cash	8,796
Cash - beginning of year	<u>112,927</u>
Cash - end of year	<u>\$ 121,723</u>

See accompanying notes to consolidated financial statements and independent
accountants' compilation report.

**FREEDOM'S PROMISE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Freedom's Promise exists to prevent human trafficking through community development efforts. The Organization equips indigenous partners to lead and strengthen at-risk communities in the fight against trafficking.

Freedom's Promise Fair Trade, LLC is a not-for-profit limited liability company that buys and sells fair trade products that are made in Cambodia by women in the Organization's prevention program. The Company is controlled and managed by the Organization and has been consolidated in the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Freedom's Promise and Freedom's Promise Fair Trade, LLC (the "Organization"). All material intercompany transactions have been eliminated.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts 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.

Inventory

Inventory is valued at the lower of cost or net realizable value and consists of finished goods.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are generally 3 to 7 years. The Organization capitalizes all furniture and equipment purchases over \$1,000.

Advertising

The Company expenses advertising costs as incurred.

FREEDOM'S PROMISE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Contributions that are restricted for specific programs are reflected as unrestricted revenue if the restriction is fulfilled during the same fiscal year as it is received. Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets - net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Permanently restricted net assets - net assets that are subject to donor imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income from these assets.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as a charitable organization. Accordingly, no provision for income tax has been made.

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Organization's management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2016, no uncertain positions are taken or are expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions for the periods of 2013 to the present; however, there are currently no audits for any tax periods in progress.

FREEDOM'S PROMISE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 3 - LEASE COMMITMENTS

The Organization leases office space under an operating lease agreement. Rent expense totaled \$12,642 for the year ended December 31, 2016. Future minimum payments by year and in the aggregate under non-cancelable leases consist of the following:

<u>Year Ending</u> <u>December 31,</u>	
2017	\$ 12,894
2018	<u>10,920</u>
	<u>\$ 23,814</u>

NOTE 4 - ADVERTISING COSTS

Total advertising expense for the year ended December 31, 2016 was \$1,370.

NOTE 5 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 21, 2017, the date the consolidated financial statements were available to be issued.