

**FREEDOM'S PROMISE AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

**FREEDOM'S PROMISE AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Table of Contents

	Page
Independent Auditor's Report	1
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3-4
Consolidated Statements of Functional Expenses.....	5-6
Consolidated Statements of Cash Flows.....	7
Notes to Consolidated Financial Statements.....	8-13



Independent Auditor's Report

Board of Directors
Freedom's Promise and Subsidiary

Report on the Financial Statements

We have audited the accompanying financial statements of Freedom's Promise and its subsidiary, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 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 Freedom's Promise and its subsidiary as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Blankenship CPA Group, PLLC". The signature is written in a cursive, flowing style.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
March 7, 2020

FREEDOM'S PROMISE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
Assets		
Cash	\$ 302,110	\$ 233,730
Pledges receivable	338,109	10,300
Prepaid expenses	4,541	19,468
Inventory	22,199	8,544
Furniture and equipment, net	<u>2,817</u>	<u>1,804</u>
 Total assets	 <u><u>\$ 669,776</u></u>	 <u><u>\$ 273,846</u></u>
Liabilities		
Accrued expenses	\$ 185	\$ 6,045
Accounts payable	<u>4,955</u>	<u>2,164</u>
 Total liabilities	 <u>5,140</u>	 <u>8,209</u>
Net assets		
Without donor restrictions	607,813	222,515
With donor restrictions	<u>56,823</u>	<u>43,122</u>
 Total net assets	 <u>664,636</u>	 <u>265,637</u>
 Total liabilities and net assets	 <u><u>\$ 669,776</u></u>	 <u><u>\$ 273,846</u></u>

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

**FREEDOM'S PROMISE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions	\$ 183,993	\$ 170,325	\$ 354,318
Special events, net of direct benefit to donors	788,232	-	788,232
Merchandise sales and other income	7,553	-	7,553
In-kind donations	54,294	-	54,294
Net assets released from restriction	156,624	(156,624)	-
	<u>1,190,696</u>	<u>13,701</u>	<u>1,204,397</u>
Total revenue and support			
Expenses			
Program services	607,540	-	607,540
Supporting services			
Management and general	105,598	-	105,598
Fundraising	92,260	-	92,260
	<u>805,398</u>	<u>-</u>	<u>805,398</u>
Total expenses			
Change in net assets	385,298	13,701	398,999
Net assets, beginning of year	<u>222,515</u>	<u>43,122</u>	<u>265,637</u>
Net assets, end of year	<u>\$ 607,813</u>	<u>\$ 56,823</u>	<u>\$ 664,636</u>

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

**FREEDOM'S PROMISE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions	\$ 216,010	\$ 131,122	\$ 347,132
Grants	1,000	-	1,000
Special events, net of direct benefit to donors	332,611	-	332,611
Merchandise sales and other income	6,361	-	6,361
In-kind donations	47,040	-	47,040
Net assets released from restriction	91,689	(91,689)	-
	<u>694,711</u>	<u>39,433</u>	<u>734,144</u>
Total revenue and support			
Expenses			
Program services	451,017	-	451,017
Supporting services			
Management and general	88,616	-	88,616
Fundraising	64,016	-	64,016
	<u>603,649</u>	<u>-</u>	<u>603,649</u>
Total expenses			
Change in net assets	91,062	39,433	130,495
Net assets, beginning of year	<u>131,453</u>	<u>3,689</u>	<u>135,142</u>
Net assets, end of year	<u>\$ 222,515</u>	<u>\$ 43,122</u>	<u>\$ 265,637</u>

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

FREEDOM'S PROMISE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total
Bank charges	\$ 4,327	\$ 4,328	\$ -	\$ 8,655
Board expense	283	284	-	567
Contract services	5,192	5,193	-	10,385
Depreciation	476	477	-	953
Grants and assistance	243,110	-	-	243,110
Insurance	1,249	1,250	-	2,499
Marketing	18,158	-	3,204	21,362
Meals and entertainment	18,654	1,313	489	20,456
Miscellaneous	4,502	-	-	4,502
Office expenses	1,718	1,718	-	3,436
Professional fees	12,776	12,777	-	25,553
Rental	7,246	7,247	-	14,493
Salaries, benefits and payroll taxes	180,322	60,107	42,429	282,858
Special events	-	-	44,047	44,047
Technology	4,226	4,227	-	8,453
Tithe expense	350	-	-	350
Training and professional development	4,585	4,586	-	9,171
Travel	100,366	2,091	2,091	104,548
	<u>\$ 607,540</u>	<u>\$ 105,598</u>	<u>\$ 92,260</u>	<u>\$ 805,398</u>

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

FREEDOM'S PROMISE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total
Bank charges	\$ 4,369	\$ 4,370	\$ -	\$ 8,739
Board expense	398	399	-	797
Building supplies	3,760	-	-	3,760
Depreciation	447	447	-	894
Grants and assistance	157,833	-	-	157,833
Insurance	988	988	-	1,976
Marketing	13,774	-	2,431	16,205
Meals and entertainment	9,296	1,000	1,000	11,296
Medicine and medical supplies	4,459	-	-	4,459
Miscellaneous	2,171	-	-	2,171
Office expenses	1,994	1,995	-	3,989
Professional fees	8,667	8,668	-	17,335
Rental	7,075	7,076	-	14,151
Salaries, benefits and payroll taxes	167,112	55,704	39,321	262,137
Special events	-	-	20,250	20,250
Taxes and licenses	205	205	-	410
Technology	4,080	4,080	-	8,160
Tithe expense	13,071	-	-	13,071
Training and professional development	2,669	2,670	-	5,339
Travel	48,649	1,014	1,014	50,677
	<u>\$ 451,017</u>	<u>\$ 88,616</u>	<u>\$ 64,016</u>	<u>\$ 603,649</u>

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

**FREEDOM'S PROMISE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 398,999	\$ 130,495
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	953	894
Changes in assets and liabilities		
Pledges receivable	(327,809)	(9,983)
Prepaid expenses	14,927	(16,335)
Inventory	(13,655)	(274)
Accrued expenses	(5,860)	1,832
Accounts payable	2,791	2,164
Net cash provided by operating activities	70,346	108,793
Cash flows from investing activities		
Purchase of furniture and equipment	(1,966)	-
Net cash used by investing activities	(1,966)	-
Net increase in cash	68,380	108,793
Cash, beginning of year	233,730	124,937
Cash, end of year	\$ 302,110	\$ 233,730

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

FREEDOM'S PROMISE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Freedom's Promise exists to prevent human trafficking through community development efforts. It 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 Freedom Promise's prevention program. It is controlled and managed by Freedom's Promise and has been consolidated in the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Freedom's Promise and Subsidiary (the Organization) have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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. Some donor restrictions are temporary in nature; those restrictions will be met by 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.

Principles of Consolidation

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

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's community development activities. Nonoperating activities are limited to other activities considered to be of a more unusual or nonrecurring nature.

Cash

The Organization's cash consists of cash on deposit with banks.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization maintains its cash in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

FREEDOM'S PROMISE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Pledges receivable are expected to be collected within one year and are recorded at net realizable value.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. 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 at the date of purchase or, for donated assets, at estimated fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The useful lives range from 3 to 7 years. The Organization's policy is to capitalize renewals and betterments acquired for greater than \$1,000 and expense normal maintenance as incurred. The Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued accounting standards update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). ASU 2014-09 provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. ASU 2014-09 became effective for the Organization's fiscal year beginning January 1, 2019. Subsequent to the issuance of ASU 2014-09, the FASB has issued several ASUs such as ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, and ASU 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets, among others. These ASUs do not change the core principle of the guidance stated in ASU 2014-09, instead these amendments are intended to clarify and improve operability of certain topics included within the revenue standard. These ASUs had the same effective date and transition requirements as ASU 2014-09. The Organization adopted the standard on January 1, 2019 utilizing the modified retrospective method. Results for reporting periods beginning January 1, 2019 are presented under Topic 606, while prior-period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. Adoption of the new standard had no impact on the Organization's beginning balances or to cash from or used in operating, financing, or investing on the statement of cash flows.

FREEDOM'S PROMISE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Advertising

The Organization expenses advertising costs as incurred. Total advertising expense for the years ended December 31, 2019 and 2018 was \$21,362 and \$16,205.

In-kind Donations

The Organization received donated professional services, materials and other advertising services for each of the years ended December 31, 2019 and 2018. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and reported as contributions in-kind, special event revenue and supporting services expenses on the accompanying statements of activities and functional expenses.

Several volunteers have made significant contributions of their time in furtherance of the Organization's mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

Functional Expenses

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 programs and supporting services benefited. Such allocations are determined by management on an equitable basis. All allocations in the statement of functional expenses are based on management's estimate of time and effort spent.

Income Taxes

The Organization is exempt from income tax under IRC Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation.

FREEDOM'S PROMISE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at December 31:

	2019	2018
Financial assets at year end:		
Cash	\$ 302,110	\$ 233,730
Pledges receivable	338,109	10,300
Total financial assets	640,219	244,030
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(56,823)	(43,122)
Financial assets available to meet general expenditures over the next twelve months	\$ 583,396	\$ 200,908

As part of its liquidity plan, in addition to year-round donations, the Organization plans four major fundraisers strategically placed throughout the year—two in the first half of the year, one in the third quarter, and one in the last quarter. At the beginning of each quarter, funds are allotted to their foreign operations to cover the expenses for that quarter. After the foreign allotment is taken out, there is enough remaining to cover the general office expenses and payroll for their domestic staff and operations for at least 30 days. The Organization also has a credit transaction limit of \$38,900 on its credit card that can be used as needed to meet cash flow demands.

NOTE 4 - LEASE COMMITMENTS

Total rent expense incurred under operating leases totaled \$14,493 and \$14,151 for the years ended December 31, 2019 and 2018.

For years subsequent to December 31, 2019, minimum annual future rental commitments are as follows:

Year Ending December 31, 2020	\$ 11,480
-------------------------------	-----------

FREEDOM'S PROMISE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 5 - NET ASSETS

Net assets with donor restrictions were as follows for the year ended December 31, 2019:

Specific purpose:	
Freedom's Healing	\$ 1,279
Child Sponsorship	545
Compassion Acts	100
Compassion In Action Trip	12,374
Light of Future	30,721
Bridge of Hope Soccer Grant	6,450
Professional/Spiritual Development	5,000
3PP Myanmar	354
	<u>\$ 56,823</u>

Net assets with donor restrictions were as follows for the year ended December 31, 2018:

Specific purpose:	
Dalton trip	\$ 21,772
Kingsway	8,950
Cambodia Medical Team	12,250
Bridge of Hope	150
	<u>\$ 43,122</u>

NOTE 6 - SPECIAL EVENT REVENUE

Revenue from special events was as follows for the years ended December 31:

	2019	2018
Gross special event revenue	\$ 810,917	\$ 345,932
Less direct benefit to donors	<u>(22,685)</u>	<u>(13,321)</u>
Special event revenue, net	<u>\$ 788,232</u>	<u>\$ 332,611</u>

NOTE 7 - IRS DETERMINATION

In August of 2017, Freedom's Promise Fair Trade, LLC received notice of a revocation of tax-exempt status. Freedom's Promise Fair Trade, LLC, was organized in 2014 as a single-member not-for-profit LLC. As such, being a single-member not-for-profit LLC and according to IRS regulations, the LLC is exempt as a 501(c)(3) through its single member's exemption.

The Organization has historically treated Freedom's Promise Fair Trade, LLC as a disregarded entity under its parent organization, Freedom's Promise, and believes it is appropriate moving forward to continue reporting operations for Freedom's Promise Fair Trade, LLC on the parent organization's federal form 990.

FREEDOM'S PROMISE AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 7 - IRS DETERMINATION (CONTINUED)

When the LLC was initially formed, an error may have been made in applying for a separate FEIN, since as a disregarded entity the LLC falls under the parent's FEIN. In December of 2017, Freedom's Promise Fair Trade, LLC sent a letter to the IRS to confirm if the appropriate measure would be to revoke the FEIN for the LLC or if there is a more advisable course of action to resolve the issue. Freedom's Promise enlisted the service of a tax attorney during 2018 to assist with this matter and request reinstatement. A response has not yet been received from the IRS.

NOTE 8 - CONCENTRATIONS

Contributions from the Organization's event, Striking the Root, comprise 52% and 26% of total revenue and support for the Organization for the years ended December 31, 2019 and 2018.

One donor represents 90% of the pledges receivable at December 31, 2019. Two donors represent 95% of the pledges receivable at December 31, 2018.

NOTE 9 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued new accounting guidance to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The new accounting guidance is effective for nonpublic entities for annual reporting periods beginning after December 15, 2020. The Organization is currently evaluating the effect of this pronouncement on its policies, procedures, and financial statements.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 7, 2020, the date the consolidated financial statements were available to be issued.