

Freedom's Promise and Subsidiary

Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Freedom's Promise and Subsidiary

Opinion

We have audited the consolidated financial statements of Freedom's Promise and its subsidiary (the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in note 10 to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
March 23, 2022

Freedom's Promise and Subsidiary
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 977,608	\$ 643,055
Accounts receivable	2,014	-
Pledges receivable	19,114	32,790
Prepaid expenses	5,851	16,175
Inventory	21,251	22,033
Furniture and equipment, net	1,398	1,972
Beneficial interest in assets held by Community Foundation of Northwest Georgia	<u>137,599</u>	<u>115,591</u>
Total assets	\$ 1,164,835	\$ 831,616
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,050	\$ 57,343
Accrued expenses	<u>441</u>	<u>150</u>
Total liabilities	1,491	57,493
Net assets		
Without donor restrictions	774,699	648,884
With donor restrictions	<u>388,645</u>	<u>125,239</u>
Total net assets	<u>1,163,344</u>	<u>774,123</u>
Total liabilities and net assets	\$ 1,164,835	\$ 831,616

Freedom's Promise and Subsidiary
Consolidated Statement of Activities
For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions	\$ 380,192	\$ 295,328	\$ 675,520
Grants	6,268	-	6,268
Special events, net	479,937	-	479,937
In-kind donations	60,000	-	60,000
Investment income	-	22,008	22,008
Merchandise sales	3,950	-	3,950
Other revenue	944	-	944
Net assets released from restriction	53,930	(53,930)	-
Total support and revenues	<u>985,221</u>	<u>263,406</u>	<u>1,248,627</u>
Expenses			
Program services	662,058	-	662,058
Supporting services			
Management and general	91,792	-	91,792
Fundraising	105,556	-	105,556
Total expenses	<u>859,406</u>	<u>-</u>	<u>859,406</u>
Change in net assets	125,815	263,406	389,221
Net assets, beginning of year	<u>648,884</u>	<u>125,239</u>	<u>774,123</u>
Net assets, end of year	\$ 774,699	\$ 388,645	\$ 1,163,344

Freedom's Promise and Subsidiary
Consolidated Statement of Activities
For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions	\$ 358,187	\$ 128,957	\$ 487,144
Special events, net	468,767	-	468,767
In-kind donations	60,000	-	60,000
Investment income	-	15,591	15,591
Merchandise sales	1,824	-	1,824
Other revenue	45,326	-	45,326
Net assets released from restriction	<u>76,132</u>	<u>(76,132)</u>	<u>-</u>
Total support and revenues	1,010,236	68,416	1,078,652
Expenses			
Program services	764,406	-	764,406
Supporting services			
Management and general	97,344	-	97,344
Fundraising	<u>107,415</u>	<u>-</u>	<u>107,415</u>
Total expenses	969,165	-	969,165
Change in net assets	41,071	68,416	109,487
Net assets, beginning of year	<u>607,813</u>	<u>56,823</u>	<u>664,636</u>
Net assets, end of year	\$ 648,884	\$ 125,239	\$ 774,123

Freedom's Promise and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program services	Management and general	Fundraising	Total
Salaries and benefits	\$ 227,976	\$ 44,234	\$ 68,052	\$ 340,262
Grants and assistance	356,306	-	-	356,306
Contract services	12,369	12,369	-	24,738
Depreciation	287	287	-	574
Insurance	1,384	1,384	-	2,768
Marketing	9,027	-	1,593	10,620
Meals and entertainment	3,995	1,313	489	5,797
Office expenses	1,914	1,914	-	3,828
Professional fees	10,775	10,775	-	21,550
Rental	7,792	7,793	-	15,585
Special events	-	-	35,178	35,178
Technology	3,523	3,524	-	7,047
Training and professional development	576	576	-	1,152
Travel	11,687	244	244	12,175
Bank charges	5,733	7,008	-	12,741
Miscellaneous	8,714	371	-	9,085
	\$ 662,058	\$ 91,792	\$ 105,556	\$ 859,406

Freedom's Promise and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program services	Management and general	Fundraising	Total
Salaries and benefits	\$ 212,604	\$ 45,098	\$ 64,426	\$ 322,128
Grants and assistance	457,796	-	-	457,796
Contract services	12,759	12,759	-	25,518
Depreciation	646	647	-	1,293
Insurance	1,441	1,442	-	2,883
Marketing	15,688	-	2,769	18,457
Meals and entertainment	2,863	1,313	489	4,665
Office expenses	1,690	1,691	-	3,381
Professional fees	10,637	10,638	-	21,275
Rental	7,497	7,497	-	14,994
Special events	-	-	39,267	39,267
Technology	5,351	5,352	-	10,703
Training and professional development	3,361	3,361	-	6,722
Travel	22,272	464	464	23,200
Bank charges	5,731	7,004	-	12,735
Miscellaneous	4,070	78	-	4,148
	\$ 764,406	\$ 97,344	\$ 107,415	\$ 969,165

Freedom's Promise and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash, beginning of year	\$ 643,055	\$ 302,110
Cash flows from operating activities		
Change in net assets	389,221	109,487
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	574	1,293
Contributions restricted for beneficial interest	-	(100,000)
Investment income restricted for beneficial interest	(22,008)	(15,591)
Change in:		
Accounts receivable	(2,014)	-
Pledges receivable	13,676	305,319
Prepaid expenses	10,324	(11,634)
Inventory	782	166
Accounts payable	291	52,388
Accrued expenses	(56,293)	(35)
Net cash provided (used) by operating activities	334,553	341,393
Cash flows from investing activities		
Purchase of furniture and equipment	-	(448)
Net change in cash	334,553	340,945
Cash, end of year	\$ 977,608	\$ 643,055

Freedom's Promise and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

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 (LLC) that buys and sells fair trade products that are made in Cambodia by women in Freedom's Promise's prevention program. It is a wholly owned subsidiary of Freedom's Promise.

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, whereby 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 report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's community development activities. Non-operating activities are limited to other activities considered to be of a more unusual or nonrecurring nature.

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.

Cash

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

Freedom's Promise and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

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. At December 31, 2021 and 2020, the Organization's cash accounts exceeded coverage by \$682,838 and \$369,976, respectively. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Accounts Receivable

Accounts receivable are expected to be collected within one year. As a result, management has determined that an allowance for uncollectible accounts is not necessary.

Pledges Receivable

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

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 three to seven 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

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.

In-kind Donations

The Organization received donated professional services, materials, and other advertising services during each of the years. 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 revenues, and supporting services expenses on the accompanying statements of activities and functional expenses.

Freedom's Promise and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

In-kind Donations

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.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as *debt* and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a *conditional contribution* where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as a conditional contribution.

Fair Value Measurement

The Organization has adopted the *Fair Value Measurements and Disclosures* topic of the Financial Accounting Standards Board Accounting Standard Codification for determining the fair value of financial assets and liabilities that are required to be carried as such amounts. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive.

Following is a description of the valuation methodologies used for financial assets and liabilities measured at fair value on a recurring basis:

Beneficial interest in assets held by Community Foundation of Northwest Georgia (CFNG) – The endowment funds held by CFNG represent the Organization's interest in pooled investments with other participants in the funds. CFNG prepares a valuation of the fund based on the fair value of the underlying investments and allocates income or loss to each participant based on market results. Due to the nature of the underlying investments and method of allocation of the fund, the beneficial interest in the endowment funds are classified within Level 3 of the valuation hierarchy.

Marketing

The Organization expenses marketing costs as incurred. Total marketing expense for 2021 and 2020 was \$10,620 and \$18,457, respectively.

Freedom's Promise and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 2. Summary of Significant Accounting Policies

Functional Expenses

The costs of providing program services and supporting services 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 Internal Revenue Code Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by Section 501(c)(3). 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.

Note 3. Availability and Liquidity

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

	2021	2020
Financial assets		
Cash	\$ 977,608	\$ 643,055
Accounts receivable	2,014	-
Pledges receivable	19,114	32,790
Beneficial interest in assets held by Community Foundation of Northwest Georgia	<u>137,599</u>	<u>115,591</u>
Total financial assets	1,136,335	791,436
Less: amounts not available to be used within one year		
Net assets with donor restrictions	<u>(388,645)</u>	<u>(125,239)</u>
Financial assets available to meet general expenditures within the next 12 months	\$ 747,690	\$ 666,197

As part of its liquidity plan, in addition to year-round donations, the Organization plans four major fundraisers strategically placed throughout the year. 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 60 to 90 days. The Organization also has a credit transaction limit of \$45,200 on its credit card that can be used as needed to meet cash flow demands.

Freedom's Promise and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 4. Endowment Fund

The Organization has a beneficial interest in an endowment fund held by CFNG. The balance of the funds consists of a combination of funds classified as donor restricted. Earnings on these funds are used to support the mission of the Organization. The Organization has granted variance power to CFNG, and CFNG has the ultimate authority and control over the funds. The funds are charged a 0.5% administrative fee annually. Upon request of the Organization, income from the funds representing up to a 4% annual return may be distributed to the Organization.

Since CFNG has control over the fund and the earnings, the Organization has not established an investment policy for the fund nor have they established policies for expenditures from the fund. The Organization is not aware of any deficiencies in the fair value of assets in the fund as compared to the required amounts by the donors. The Organization recognizes contribution income when the Community Foundation makes a distribution to the Organization. The Organization recognizes investment earnings and fees in the Statements of Activities, as they are reported to the Organization by CFNG.

The changes in endowment assets are comprised of the following at December 31:

	2021	2020
Balance, beginning of the year	\$ 115,591	\$ -
Contributions	-	100,000
Interest and dividends	4,563	1,256
Investment gain	18,054	14,460
Fees	<u>(609)</u>	<u>(125)</u>
Balance, end of year	\$ 137,599	\$ 115,591

Note 5. Lease Commitments

Total rental expense incurred under operating leases totaled \$15,585 and \$14,994 for 2021 and 2020, respectively.

Future minimum lease payments for the year ended December 31, 2022 are \$12,176.

Note 6. Net Assets

Net assets with donor restrictions were as follows for the year ended December 31, 2021:

Specific purpose	
Freedom's Healing	\$ 1,279
Capital Campaign	242,200
Compassion in Action	5,000
Professional/spiritual development	2,567
Beneficial interest in assets held by	
Community Foundation of Northwest Georgia	<u>137,599</u>
	\$ 388,645

Freedom's Promise and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 6. Net Assets

Net assets with donor restrictions were as follows for the year ended December 31, 2020:

Specific purpose		
Freedom's Healing	\$	1,279
Compassion in Action		5,000
Professional/spiritual development		3,369
Beneficial interest in assets held by Community Foundation of Northwest Georgia		<u>115,591</u>
	\$	125,239

Note 7. Special Event Revenues

Revenues from special events were as follows:

	2021	2020
Gross special event revenues	\$ 502,939	\$ 485,937
Less: direct benefit to donors	<u>(23,002)</u>	<u>(17,170)</u>
Special events, net	\$ 479,937	\$ 468,767

Note 8. PPP Loan

On April 17, 2020, the Organization received a loan in the amount of \$44,953 in accordance with the PPP section of the CARES Act. Under this loan program, the Organization may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. The Organization has elected to treat the PPP loan as a *conditional contribution* and recorded it as other revenue in the financial statements. The Organization received forgiveness of this draw on November 27, 2020.

Note 9. Concentrations

Contributions from the Organization's event, Striking the Root, comprise 15% of total support and revenues for the Organization for the year ended December 31, 2021. Contributions for the capital campaign comprise 24% of total support and revenues for the 2021. The Organization was unable to have its main fundraising event, Striking the Root, in 2020 due to COVID-19.

One donor represents 15% of the total support and revenues for 2021.

Three donors represent 92% of the pledges receivable at December 31, 2021. One donor represented 90% of the pledges receivable at December 31, 2020.

Freedom's Promise and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2021 and 2020

Note 10. Restatement

Net assets and beneficial interest in assets held by Community Foundation of Northwest Georgia at December 31, 2020, have been restated by \$115,591. The effect on the Organization's previously issued financial statements is summarized as follows:

Statement of financial position as of December 31, 2020:

	Previously reported	Increase	Restated
Beneficial interest in assets held by Community Foundation of Northwest Georgia	\$ -	\$ 115,591	\$ 115,591

Statement of activities and changes in net assets for the year ended December 31, 2020:

	Previously reported	Increase	Restated
Contributions with donor restrictions	\$ -	\$ 100,000	\$ 100,000
Investment income	\$ -	\$ 15,591	\$ 15,591
Changes in net assets with donor restrictions	\$ -	\$ 115,591	\$ 115,591

Note 11. Subsequent Events

Management has evaluated subsequent events through March 23, 2022, the date on which the financial statements were available for issuance.