

Freedom's Promise and Subsidiary

Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

Freedom's Promise and Subsidiary
Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

Contents

Independent Auditor's Report	1
Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8 - 12



Independent Auditor's Report

Board of Directors
Freedom's Promise and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Freedom's Promise and its subsidiary (the Organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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".

Blankenship CPA Group, PLLC
Brentwood, Tennessee
April 6, 2021

Freedom's Promise and Subsidiary
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 643,055	\$ 302,110
Pledges receivable	32,790	338,109
Prepaid expenses	16,175	4,541
Inventory	22,033	22,199
Furniture and equipment, net	<u>1,972</u>	<u>2,817</u>
Total assets	\$ 716,025	\$ 669,776
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 57,343	\$ 4,955
Accrued expenses	<u>150</u>	<u>185</u>
Total liabilities	57,493	5,140
Net assets		
Without donor restrictions	648,884	607,813
With donor restrictions	<u>9,648</u>	<u>56,823</u>
Total net assets	<u>658,532</u>	<u>664,636</u>
Total liabilities and net assets	\$ 716,025	\$ 669,776

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	\$ 28,957	\$ 387,144
Special events, net	468,767	-	468,767
In-kind donations	60,000	-	60,000
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	(47,175)	963,061
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	\$ (47,175)	\$ (6,104)
Net assets, beginning of year	<u>607,813</u>	<u>56,823</u>	<u>664,636</u>
Net assets, end of year	\$ 648,884	\$ 9,648	\$ 658,532

Freedom's Promise and Subsidiary
Consolidated Statement of Activities
For the Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Support and revenues			
Contributions	\$ 183,993	\$ 170,325	\$ 354,318
Special events, net	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	<u>156,624</u>	<u>(156,624)</u>	<u>-</u>
Total support and revenues	1,190,696	13,701	1,204,397
Expenses			
Program services	607,540	-	607,540
Supporting services			
Management and general	105,598	-	105,598
Fundraising	<u>92,260</u>	<u>-</u>	<u>92,260</u>
Total expenses	805,398	-	805,398
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	\$ 607,813	\$ 56,823	\$ 664,636

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
	<u>\$ 764,406</u>	<u>\$ 97,344</u>	<u>\$ 107,415</u>	<u>\$ 969,165</u>

Freedom's Promise and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program services	Management and general	Fundraising	Total
Salaries and benefits	\$ 180,322	\$ 60,107	\$ 42,429	\$ 282,858
Grants and assistance	243,110	-	-	243,110
Contract services	5,192	5,193	-	10,385
Depreciation	476	477	-	953
Insurance	1,249	1,250	-	2,499
Marketing	18,158	-	3,204	21,362
Meals and entertainment	18,654	1,313	489	20,456
Office expenses	1,718	1,718	-	3,436
Professional fees	12,776	12,777	-	25,553
Rental	7,246	7,247	-	14,493
Special events	-	-	44,047	44,047
Technology	4,226	4,227	-	8,453
Training and professional development	4,585	4,586	-	9,171
Travel	100,366	2,091	2,091	104,548
Bank charges	4,327	4,328	-	8,655
Miscellaneous	5,135	284	-	5,419
	\$ 607,540	\$ 105,598	\$ 92,260	\$ 805,398

Freedom's Promise and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash, beginning of year	\$ 302,110	\$ 233,730
Cash flows from operating activities		
Change in net assets	(6,104)	398,999
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,293	953
Change in:		
Pledges receivable	305,319	(327,809)
Prepaid expenses	(11,634)	14,927
Inventory	166	(13,655)
Accounts payable	52,388	2,791
Accrued expenses	(35)	(5,860)
Net cash provided (used) by operating activities	341,393	70,346
Cash flows from investing activities		
Purchase of furniture and equipment	(448)	(1,966)
Net change in cash	340,945	68,380
Cash, end of year	\$ 643,055	\$ 302,110

Freedom's Promise and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

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.

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. At December 31, 2020 and 2019, the Organization's cash accounts exceeded coverage by \$369,976 and \$38,417, respectively. 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
For the Years Ended December 31, 2020 and 2019

Note 2. Summary of Significant Accounting Policies

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 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 for each of the years ended December 31, 2020 and 2019. 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.

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.

Marketing

The Organization expenses marketing costs as incurred. Total marketing expense for the years ended December 31, 2020 and 2019 was \$18,457 and \$21,362, respectively.

Freedom's Promise and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

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:

	2020	2019
Financial assets		
Cash	\$ 643,055	\$ 302,110
Pledges receivable	<u>32,790</u>	<u>338,109</u>
Total financial assets	675,845	640,219
Less: amounts not available to be used within one year		
Net assets with donor restrictions	<u>(9,648)</u>	<u>(56,823)</u>
Financial assets available to meet general expenditures within the next 12 months	\$ 666,197	\$ 583,396

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 sixty to ninety 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.

Freedom's Promise and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 4. Lease Commitments

Total rental expense incurred under operating leases totaled \$14,994 and \$14,493 for the years ended December 31, 2020 and 2019, respectively.

For years subsequent to December 31, 2020, minimum annual future rental commitments are as follows:

Year ended	
December 31,	
2021	\$ 11,822

Note 5. 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	<u>3,369</u>
	\$ 9,648

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	<u>354</u>
	\$ 56,823

Note 6. Special Event Revenues

Revenues from special events were as follows for the years ended December 31:

	2020	2019
Gross special event revenues	\$ 468,767	\$ 810,917
Less: direct benefit to donors	<u>(17,170)</u>	<u>(22,685)</u>
Special events, net	\$ 468,767	\$ 788,232

Freedom's Promise and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

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 Section 501(c)(3) entity 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.

When the LLC was initially formed, an error may have been made in applying for a separate Federal Tax Identification Number (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 requested reinstatement. Subsequent to year end the Organization received an IRS determination letter stating no further action is necessary.

Note 8. Concentrations

The organization was unable to have its main fundraising event, Striking the Root, in the current year due to COVID-19. Contributions from the Organization's event, Striking the Root, comprise 52% of total support and revenues for the Organization for the year ended December 31, 2019.

One donor represented 90% of the pledges receivable at December 31, 2019.

Note 9. Subsequent Events

Management has evaluated subsequent events through April 6, 2021, the date on which the financial statements were available for issuance.