

**FREEDOM HOUSE MINISTRIES, INC.**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2018 AND 2017**

**FREEDOM HOUSE MINISTRIES, INC.**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Freedom House Ministries, Inc.  
Green Bay, Wisconsin

We have audited the accompanying financial statements of Freedom House Ministries, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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.

### ***Auditors' 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 Organization'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 organization'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 House Ministries, Inc. as of December 31, 2018, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***

The financial statements of Freedom House Ministries, Inc. as of December 31, 2017, were audited by other auditors whose report dated June 19, 2018, expressed an unmodified opinion on those statements.

*Hawkins Ash CPAs, LLP*

Green Bay, Wisconsin  
June 19, 2019

**FREEDOM HOUSE MINISTRIES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	DECEMBER 31,	
	2018	2017
<u>ASSETS</u>		
Cash and cash equivalents	\$ 472,722	\$ 332,075
Accounts receivable	7,514	5,030
Unconditional promises to give, net	1,095,923	-
Investments	224,787	30,510
Property and equipment, net	998,847	1,216,026
Cash surrender value of life insurance	153,042	143,382
Certificate of deposit - restricted	3,500,000	-
	<b>\$ 6,452,835</b>	<b>\$ 1,727,023</b>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 65,735	\$ 11,328
Accrued payroll and related liabilities	16,852	19,893
Tenant security deposits	1,600	325
	84,187	31,546
NET ASSETS		
Without donor restrictions	1,513,938	1,532,419
With donor restrictions	4,854,710	163,058
	6,368,648	1,695,477
	<b>\$ 6,452,835</b>	<b>\$ 1,727,023</b>

The accompanying notes are an integral part of these statements.

**FREEDOM HOUSE MINISTRIES, INC.**  
STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31,

	2018			2017		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE, GAINS AND OTHER SUPPORT						
Contributions	\$ 610,061	\$ 9,000	\$ 619,061	\$ 623,687	\$ 3,750	\$ 627,437
Capital campaign contributions	-	5,158,697	5,158,697	-	-	-
SOFT Program	-	50,000	50,000	-	51,350	51,350
Program income	32,149	-	32,149	54,277	-	54,277
Grant revenue	103,983	6,922	110,905	113,837	7,000	120,837
Special events	73,875	-	73,875	109,482	-	109,482
In-kind donations	67,094	-	67,094	40,625	-	40,625
Investment return, net	292	(294,844)	(294,552)	6,054	-	6,054
Gain (loss) on disposal of property and equipment	(9,846)	-	(9,846)	5,767	-	5,767
Other revenue	12,737	-	12,737	385	-	385
Net assets released from restrictions	238,123	(238,123)	-	98,084	(98,084)	-
<b>TOTAL REVENUE, GAINS AND OTHER SUPPORT</b>	<b>1,128,468</b>	<b>4,691,652</b>	<b>5,820,120</b>	<b>1,052,198</b>	<b>(35,984)</b>	<b>1,016,214</b>
EXPENSES						
Program	874,784	-	874,784	623,982	-	623,982
Management and general	216,611	-	216,611	181,088	-	181,088
Fundraising	55,554	-	55,554	102,493	-	102,493
<b>TOTAL EXPENSES</b>	<b>1,146,949</b>	<b>-</b>	<b>1,146,949</b>	<b>907,563</b>	<b>-</b>	<b>907,563</b>
CHANGE IN NET ASSETS	(18,481)	4,691,652	4,673,171	144,635	(35,984)	108,651
NET ASSETS AT BEGINNING OF YEAR	1,532,419	163,058	1,695,477	1,387,784	199,042	1,586,826
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,513,938</b>	<b>\$ 4,854,710</b>	<b>\$ 6,368,648</b>	<b>\$ 1,532,419</b>	<b>\$ 163,058</b>	<b>\$ 1,695,477</b>

The accompanying notes are an integral part of these statements.

**FREEDOM HOUSE MINISTRIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries, wages and benefits	\$ 354,538	\$ 82,283	\$ 10,953	\$ 447,774
Payroll taxes	29,523	6,852	912	37,287
SOFT Program	32,248	-	-	32,248
Food	5,838	-	-	5,838
Professional fees	-	21,521	-	21,521
Supplies	6,186	-	-	6,186
Postage and shipping	-	6,727	1,038	7,765
Office	-	5,167	-	5,167
Occupancy	44,655	3,760	3,760	52,175
Dues and subscriptions	-	6,622	-	6,622
Repairs and maintenance	23,055	456	456	23,967
Advertising and promotions	-	-	2,395	2,395
Conferences, training and travel	538	2,907	-	3,445
Depreciation	40,237	2,236	2,235	44,708
In-kind	46,899	20,195	-	67,094
Event	-	-	15,825	15,825
Fundraising	-	-	1,868	1,868
Bank fees	-	5,928	-	5,928
Bad debt	-	4,187	-	4,187
Impairment loss	290,009	16,111	16,112	322,232
Life insurance premiums	-	30,791	-	30,791
Miscellaneous	1,058	868	-	1,926
<b>TOTAL EXPENSES</b>	<b>\$ 874,784</b>	<b>\$ 216,611</b>	<b>\$ 55,554</b>	<b>\$ 1,146,949</b>

The accompanying notes are an integral part of these statements.

**FREEDOM HOUSE MINISTRIES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2017**

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries, wages and benefits	\$ 376,740	\$ 50,073	\$ 50,073	\$ 476,886
Payroll taxes	32,184	4,278	4,278	40,740
SOFT Program	69,239	-	-	69,239
Food	6,999	-	-	6,999
Professional fees	-	44,414	-	44,414
Supplies	2,053	-	-	2,053
Postage and shipping	-	1,252	-	1,252
Office	-	3,437	-	3,437
Occupancy	49,981	7,557	7,557	65,095
Dues and subscriptions	-	7,765	-	7,765
Repairs and maintenance	18,629	2,070	-	20,699
Advertising and promotions	-	-	4,351	4,351
Conferences, training and travel	-	10,183	-	10,183
Depreciation	29,587	3,933	3,933	37,453
In-kind	34,835	1,493	-	36,328
Event	-	-	12,805	12,805
Fundraising	-	-	17,539	17,539
Bank fees	-	10,195	-	10,195
Bad debt	-	1,690	-	1,690
Impairment loss	-	-	-	-
Life insurance premiums	-	30,791	-	30,791
Miscellaneous	3,735	1,957	1,957	7,649
<b>TOTAL EXPENSES</b>	<b>\$ 623,982</b>	<b>\$ 181,088</b>	<b>\$ 102,493</b>	<b>\$ 907,563</b>

The accompanying notes are an integral part of these statements.

**FREEDOM HOUSE MINISTRIES, INC.**  
STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,673,171	\$ 108,651
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	44,708	37,453
(Gain) loss on disposal of property and equipment	9,846	(5,767)
Loss on impairment of property and equipment	322,232	-
Bad debt expense	4,187	1,690
Change in cash surrender value of life insurance	(9,660)	(380)
Realized (gain) loss on investments	273,037	-
Unrealized (gain) loss on investments	46,276	(6,054)
Discount on unconditional promises to give	6,577	-
Non-cash donation of stock	(16,748)	
Non-cash donation of stock restricted for long term purposes	(4,062,050)	(22,000)
Non-cash donation of fixed assets	-	(4,298)
Contributions restricted for long-term purposes	(1,096,647)	-
Changes in assets and liabilities:		
(Increase) decrease in current assets		
Accounts receivable	(6,671)	2,854
Unconditional promises to give, net	(1,102,500)	-
Increase (decrease) in current liabilities		
Accounts payable	1,032	(321)
Accrued payroll and related liabilities	(3,041)	(15,825)
Tenant security deposit	1,275	(415)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(914,976)	95,588
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	-	8,300
Purchase of property and equipment	(106,232)	(49,060)
Purchase of investments	(4,304,198)	-
Proceeds from sales of investments	3,807,356	15,000
Purchase of certificate of deposit	(3,500,000)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(4,103,074)	(25,760)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for long term purposes	5,158,697	-
Payments on capital lease	-	(1,197)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	5,158,697	(1,197)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	140,647	68,631
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	332,075	263,444
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 472,722</b>	<b>\$ 332,075</b>
<b><u>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</u></b>		
Fixed asset acquisitions included in accounts payable	\$ 53,375	\$ -

The accompanying notes are an integral part of these statements.

**FREEDOM HOUSE MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 1 - Nature of Organization and Significant Accounting Policies**

**Nature of Organization** - Freedom House Ministries, Inc. (the "Organization") is a nonprofit corporation whose purpose is to provide shelter, basic necessities, and parenting and budgeting classes to temporarily homeless families in the greater Green Bay, Wisconsin area. The Organization operates a shelter to provide basic shelter to the homeless. The Organization also offers tools to strengthen and enable the temporarily homeless to leave the cycle that brought them to homelessness.

**Basis of Accounting** - The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables and other liabilities.

**Basis of Presentation** - The accompanying financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

The Organization is required to report information regarding its net assets and its activities based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

*Net Assets With Donor Restrictions* - Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Accounting Pronouncements Adopted** - On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit-Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The Organization opted to not disclose liquidity and availability information for 2017, as permitted under the ASU in the year of adoption.

**Recent Accounting Pronouncements** - In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of 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. FASB issued ASU 2015-14 that deferred the effective date for annual periods beginning after December 15, 2018. Early adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Organization is currently evaluating the impact this guidance will have on the financial statements.

**FREEDOM HOUSE MINISTRIES, INC.**  
NOTES TO FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2018 AND 2017

**NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued**

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies how entities should characterize grants and similar contracts with government agencies and others. It will assist entities in evaluating whether transactions are reciprocal exchange transactions or contributions and if they are conditional or unconditional contributions. The amendments in ASU 2018-08 are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The amendments in this update should be applied prospectively; however, retrospective application is permitted. The Organization is currently evaluating the impact this guidance will have on the financial statements.

**Cash and Cash Equivalents** - The Organization's cash and cash equivalents consists of cash on deposit with banks. For purposes of the statements of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three-months or less to be cash equivalents. However, the Organization does not consider cash money market accounts, or certificates of deposits included as investments to be cash equivalents for the statements of cash flows.

**Accounts Receivable** - Receivables are stated at the amount management expects to collect from outstanding balances. Management has elected to record bad debt expense using the direct write-off method when receivables are determined to be uncollectible based on the periodic review of the accounts. U.S. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

**Promises to Give** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a nominal interest rate applicable to the year in which the promise is received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Management provides for uncollectible amounts through a provision for uncollectible pledge expense from outstanding balances and an adjustment to a valuation allowance based on its assessment of the current status of individual pledges. Balances that are still outstanding after management used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Management believes all receivables are collectible; accordingly, no allowance has been recorded.

**Investments** - Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position. Certificates of deposits are carried at cost, which approximates fair value.

The aggregate of the (a) the unrealized appreciation (depreciation) in the fair value of investments during the year (b) the realized gains (losses) on sales of investments during the year (c) dividend income (d) interest income, and (e) investment fees are reflected in investment return on the statements of activities.

Purchases and sales of securities are recorded on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Dividends are recorded on the ex-dividend date.

**FREEDOM HOUSE MINISTRIES, INC.**  
NOTES TO FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2018 AND 2017

**NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued**

**Property and Equipment** - All acquisitions of property and equipment in excess of \$1,000 with useful lives greater than one year are capitalized. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method based on the estimated useful lives:

<u>Asset</u>	<u>Life</u>
Equipment and furniture	3 - 10 years
Vehicles	5 - 7 years
Buildings and building improvements	5 - 20 years

Construction in progress costs represent cumulative costs of projects not yet placed in service. No depreciation was taken on these capitalized costs.

**Valuation of Long-lived Assets** - U.S. GAAP requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. See Note 6 for impairment of assets during 2018. No assets were considered to be impaired at December 31, 2017.

**Cash Surrender Value of Life Insurance** – The Organization is the policy holder of two life insurance policies. The death value benefit of the policies is \$1,102,939. Cash value of life insurance is reported on the statement of financial position as net of policy loans. There were no loans outstanding as of December 31, 2018 and 2017. Adjustments for cash value are reported in the statement of activities as other revenue and premiums paid are reported in the statement of functional expenses.

**Revenue Recognition** - The Organization's revenue sources include program fees, childcare fees, contributions, grant revenue, special events, and investment return. Revenue is recognized when earned and contributions are recognized when received or unconditionally pledged. 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 restrictions.

Contributions restricted by donors are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. Contributions that are not restricted by the donor are reported as an increase in net assets without donor restrictions. When a restriction expires, 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.

**FREEDOM HOUSE MINISTRIES, INC.**  
NOTES TO FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2018 AND 2017

**NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued**

**In-Kind Contributions** - The Organization records the value of donated goods when there is an objective basis to measure the value. Donated goods are reflected as in-kind contribution revenue in the accompanying statements of activities at their estimated fair value upon the date of receipt.

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills that are performed by people with those skills and would otherwise be purchased by the Organization. The Organization received donated professional services of \$20,195 and \$0 during the years ended December 31, 2018 and 2017, respectively. Such amounts, which are based upon information provided by the service provider, are recorded at their estimated fair value determined on the date of contribution.

A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these financial statements because the criteria for recognition have not been satisfied.

**Functional Allocation of Expenses** - The costs of providing 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 program services and supporting activities benefited. Those expenses include occupancy, depreciation, and repairs and maintenance which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes and certain office expenses, which are allocated based on estimates of time and usage as determined by management.

**Advertising Costs** - Advertising costs are expensed as incurred and totaled \$2,395 and \$4,351 for the years ended December 31, 2018 and 2017, respectively.

**Use of Estimates** - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Tax Status** - The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from State taxation.

**Accounting for Uncertainty in Income Taxes** - U.S. GAAP requires 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 a taxing authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2018 and 2017, there are no uncertain positions taken or 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, however, there are currently no audits in progress for any tax period. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

**FREEDOM HOUSE MINISTRIES, INC.**  
NOTES TO FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2018 AND 2017

**NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued**

**Reclassifications** - Certain accounts in the prior year financial statements have been reclassified for comparative purpose to conform to the presentation of the current year's financial statements.

**Subsequent Events** - The Organization evaluated subsequent events through June 19, 2019, the date which the financial statements were available to be issued.

**NOTE 2 - Concentration of Cash and Credit Risk**

The Organization may have deposits with a financial institution at times during the year that exceed the Federal Deposit Insurance Corporation (FDIC) insurance threshold of \$250,000. The amount of the accounting loss that the Organization would have incurred had the financial institution not been able to return monies in excess of \$250,000 amounted to \$3,695,053 and \$0 as of December 31, 2018 and 2017, respectively. The Organization does not require collateral or other security to support deposits subject to this credit risk.

**NOTE 3 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

Cash and cash equivalents	\$ 472,722
Accounts receivable	7,514
Investments	224,787
Cash surrender value of life insurance	<u>153,042</u>
Total financial assets available within one year	858,065
Less:	
Amounts not available for general expenditures within one year:	
Net assets with donor restrictions	<u>258,787</u>
Total Financial Assets Available to Management For General Expenditure Within One Year	<u>\$ 599,278</u>

*Liquidity Management*

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization also has a dashboard which has a goal of having 14 or more weeks of cash on hand. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$75,000, which it could draw upon.

**FREEDOM HOUSE MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 4 - Investments**

The following is a summary of investments at December 31:

	<u>2018</u>	<u>2017</u>
Cash equivalents	\$ 224,787	\$ 990
Mutual funds - equity	-	25,667
Mutual funds - fixed income	-	3,853
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 224,787</u></b>	<b><u>\$ 30,510</u></b>

The following schedule summarizes the investment return as of December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 25,485	\$ -
Investment fees	(724)	-
Realized gain (loss)	(273,037)	-
Unrealized gain (loss)	(46,276)	6,054
<b>TOTAL INVESTMENT RETURN</b>	<b><u>\$ (294,552)</u></b>	<b><u>\$ 6,054</u></b>

**NOTE 5 - Unconditional Promises to Give**

The Organization held a capital campaign to raise funds to build a new facility. Promises to give were restricted to payment of the costs of building and renovating the facility. The aggregate collections of promises to give are as follows at December 31:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 1,027,500	\$ -
Receivables in one to five years	75,000	-
Total unconditional promises to give	1,102,500	-
Less: Allowance for unconditional promises to give	-	-
Less: Discount to net present value	6,577	-
<b>NET UNCONDITIONAL PROMISES TO GIVE</b>	<b><u>\$ 1,095,923</u></b>	<b><u>\$ -</u></b>

A discount rate of 3.03% was used at December 31, 2018, on promises to give receivable in more than one year.

There is no allowance for uncollectible pledges as management considers all pledges to be collectible.

**FREEDOM HOUSE MINISTRIES, INC.**  
NOTES TO FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2018 AND 2017

**NOTE 6 - Property and Equipment**

A summary of property and equipment is as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 163,753	\$ 163,753
Buildings and improvements	946,814	1,232,267
Furniture and equipment	33,238	78,953
Vehicles	55,948	55,948
Website	5,750	5,750
Construction in progress	<u>100,412</u>	<u>-</u>
	1,305,915	1,536,671
Less: Accumulated depreciation	<u>307,068</u>	<u>320,645</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<b><u>\$ 998,847</u></b>	<b><u>\$ 1,216,026</u></b>

Depreciation expense amounted to \$44,708 and \$37,453 for years ended December 31, 2018 and 2017, respectively.

During 2018, management determined the useful lives of certain assets were different than previously estimated. Therefore, management revised the useful lives of four assets included in buildings and improvements. The original life of these assets was 40 years, the revised lives range from 10 to 20 years. Accordingly, these assets have been under depreciated by \$76,606. This amount will be spread over remaining lives of these assets. For 2018, additional depreciation expense of \$20,472 was recorded due to this change.

During 2018, the Organization recorded an impairment loss of \$322,232 on one of its buildings. The impairment loss represents the excess of the carrying amount of the building over its fair value, which was determined based on management committing to a plan in 2018 to abandon the building and demolish it in order to build a new building. In May 2019, the building was abandoned and the demolition process began.

**NOTE 7 - Fair Value Measurements**

The Organization has determined the fair value of certain assets and liabilities in accordance with the provision of U.S. GAAP, which provides a framework for measuring fair value under generally accepted accounting principles.

U.S. GAAP defines fair value as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. U.S. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets that the reporting organization has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset. Level 3 inputs are unobservable inputs related to the asset.

**FREEDOM HOUSE MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 7 - Fair Value Measurements - Continued**

The asset's fair value measurement within the fair value hierarchy is based on the lowest of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

*Mutual funds:* Valued at net assets value (NAV) of shares held by the Organization at year end.

*Impaired building:* Valued at the amount management would expect to collect. The value was reduced to the amount of accumulated depreciation on the building, bringing the net book value to \$0 based on management committing to a plan in 2018 to abandon the building and demolish it in order to build a new building.

The methods described above may produce a fair value calculation that may be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value on a recurring basis as of December 31, 2018 and 2017.

	DECEMBER 31, 2018	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Mutual funds				
Equities	\$ -	\$ -	\$ -	\$ -
Fixed income	-	-	-	-
<b>TOTALS</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

	DECEMBER 31, 2017	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Mutual funds				
Equities	\$ 25,667	\$ 25,667	\$ -	\$ -
Fixed income	3,853	3,853	-	-
<b>TOTALS</b>	<b><u>\$ 29,520</u></b>	<b><u>\$ 29,520</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**FREEDOM HOUSE MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 7 - Fair Value Measurements - Continued**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value on a non-recurring basis as of December 31, 2018 and 2017.

	DECEMBER 31, 2018	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Impaired building	\$ 158,114	\$ -	\$ -	\$ 158,114
<b>TOTALS</b>	<b>\$ 158,114</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 158,114</b>

	DECEMBER 31, 2017	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Impaired buildings	\$ -	\$ -	\$ -	\$ -
<b>TOTALS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The following is a reconciliation of activity for assets measured at fair value on a non-recurring basis using significant unobservable inputs (Level 3 inputs):

Impaired building

	2018	2017
Balance, beginning of year	\$ 480,346	\$ -
Impairment loss	(322,232)	-
Balance, end of year	<u>\$ 158,114</u>	<u>\$ -</u>

**NOTE 8 - Line of Credit**

The Organization entered into a line of credit in March 2018 for \$75,000 which matures in March 2019. The interest rate is equal to the one-month London Interbank Offered Rate (LIBOR) of 4.50%, for the year ended December 31, 2018, respectively. There was no balance outstanding at December 31, 2018. Subsequent to year end, the Organization renewed the line of credit for one year.

**FREEDOM HOUSE MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 9 - Net Assets**

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Capital campaign	\$ 2,962,362	\$ -
SOFT Program	27,288	13,424
Bridge facility expansion/renovation	57,059	149,095
After-Care Program	1,500	-
Windows for Freedom House	5,422	-
Family programs	-	539
Promises to give, the proceeds from which have been restricted by donors for capital campaign	<u>1,095,923</u>	<u>-</u>
	<u>4,149,554</u>	<u>163,058</u>
Endowments		
Amount required to be held in perpetuity	1,000,000	-
Earnings subject to appropriation and expenditure for a specified purpose:		
Available for general use	<u>(294,844)</u>	<u>-</u>
Total endowments	<u>705,156</u>	<u>-</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 4,854,710</u></b>	<b><u>\$ 163,058</u></b>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions		
SOFT Program	36,136	69,547
Bridge facility expansion/renovation	95,536	3,860
Program supplies	5,500	
Family programs	539	397
Capital campaign	100,412	-
Budget classes	-	280
Childcare program	-	24,000
<b>TOTAL RESTRICTIONS RELEASED</b>	<b><u>\$ 238,123</u></b>	<b><u>\$ 98,084</u></b>

**FREEDOM HOUSE MINISTRIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 10 - Endowment Funds**

The Freedom House Ministries, Inc.'s endowment fund consists of donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence of or absence of donor-imposed restrictions.

**Interpretation of the Law** - The Board of Directors of the Organization has interpreted the Wisconsin Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent any explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets without donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

**Investing Policy** – The Board of Directors has established an investment policy to ensure compliance with investment practices that preserve principal, ensure liquidity sufficient to meet the Organization's needs and maintain the purchasing power of the investment assets.

**Spending Policy** - The Organization has a policy of appropriating for distribution at the beginning of the year, absent any donor-imposed restrictions and at the discretion of the Board of Directors. Distributions will be targeted at 5% of the investment fund balance at the beginning of the fiscal year, or distributions will be discretionary and determined by the Board of Directors based on the current needs of the Organization, but will not reduce the value of the principal of any endowment fund below the original gift value.

**Endowment Net Asset Composition by Type of Fund as of December 31, 2018:**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds:			
Original donor-restricted gift and amounts required to be maintained in perpetuity by donors	-	1,000,000	1,000,000
Accumulated investment gains (losses)	-	(294,844)	(294,844)
<b>TOTAL</b>	<b><u>\$ -</u></b>	<b><u>\$ 705,156</u></b>	<b><u>\$ 705,156</u></b>

**FREEDOM HOUSE MINISTRIES, INC.**  
NOTES TO FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2018 AND 2017

**NOTE 10 - Endowment Funds - Continued**

There were no endowment funds as of December 31, 2017.

**Funds with Deficiencies** - From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration (underwater endowments). In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. The deficiencies may result from unfavorable market fluctuations that have occurred. At December 31, 2018, the Organization's endowment was underwater due to market conditions at the end of the year. Funds with original gift values of \$1,000,000 had a fair value of \$705,156 at December 31, 2018. The underwater amount was \$294,844 at December 31, 2018. The Organization is planning on the market conditions to improve and investment return will eliminate the deficiency. The Organization did not have any such deficiency as of December 31, 2017.

*Changes in Endowment Net Assets for the Year Ended December 31, 2018:*

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Investment return, net	-	(294,844)	(294,844)
Contributions	-	1,000,000	1,000,000
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 705,156</u>	<u>\$ 705,156</u>

**NOTE 11 - In-Kind Contributions**

The value of donated goods and services included as in-kind contributions in the financial statements and the corresponding expenses or assets are as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Food	\$ 7,989	\$ 6,467
Accounting services	20,195	-
Clothing/household items	38,910	29,861
<b>TOTAL IN-KIND CONTRIBUTIONS</b>	<u>\$ 67,094</u>	<u>\$ 36,328</u>

**NOTE 12 - Risks and Uncertainties**

The Organization's investments are exposed to various risks, such as interest rate, and market and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is reasonably possible that changes in risks in the near term could materially affect the amounts reported in the statements of financial position and the statements of activities.

**NOTE 13 - Commitments**

On October 10, 2018, the Organization entered into a contract with a construction company and an architect firm for the construction and design of the Freedom House Family Life Advancement Center with estimated costs totaling \$4,340,000. As of December 31, 2018, the Organization has paid \$100,412 towards the contract.

**FREEDOM HOUSE MINISTRIES, INC.**  
NOTES TO FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2018 AND 2017

**NOTE 14 - Related Party Transactions**

The Organization conducts business with several companies that are affiliated with or owned by Board members, directly or indirectly. Items purchased are priced at competitive rates.

During 2018, the Organization received contributions from board members, management, and their immediate family that totaled \$5,062,050. At December 31, 2018, \$1,000,000 of those contributions were included in unconditional promises to give.

A member of the Organization's board of directors is employed at the financial institution the Organization uses for banking and investment services.