

**FREEDOM HOUSE MINISTRIES, INC.**

**Audited Financial Statements**

**For the Years Ended May 31, 2012 and 2011**

**FREEDOM HOUSE MINISTRIES, INC.**

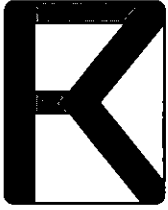
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**May 31, 2012 and 2011**

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**INDEPENDENT AUDITORS' REPORT**



# KERBER, ROSE & ASSOCIATES, S.C.

*Certified Public Accountants*

115 E. Fifth Street • Shawano, WI 54166  
(715) 526-9400 • Fax (715) 524-2599

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Freedom House Ministries, Inc. (Organization), as of May 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 May 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Kerber, Rose & Associates, S.C.*  
**KERBER, ROSE & ASSOCIATES, S.C.**  
Certified Public Accountants  
January 9, 2012

## FINANCIAL STATEMENTS

**FREEDOM HOUSE MINISTRIES, INC.**

Statements of Financial Position

As of May 31,

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 126,046	\$ 88,306
Accounts Receivable	1,296	1,717
Grants Receivable	4,739	25,939
Unconditional Promises to Give - Operating	40	37,000
Prepaid Expenses	5,860	-
<b>Total Current Assets</b>	<u>137,981</u>	<u>152,962</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	83,753	83,753
Buildings	518,370	516,155
Vehicles	40,189	40,189
Furniture and Fixtures	68,038	66,267
Total Property and Equipment	<u>710,350</u>	<u>706,364</u>
Less: Accumulated Depreciation	<u>169,646</u>	<u>144,254</u>
<b>Net Property and Equipment</b>	<u>540,704</u>	<u>562,110</u>
<b>OTHER ASSETS</b>		
Beneficial Interest in Assets Held by Community Foundation	-	2,500
Cash Surrender Value of Life Insurance	81,862	55,706
Other Assets	1,195	1,195
<b>Total Other Assets</b>	<u>83,057</u>	<u>59,401</u>
<b>TOTAL ASSETS</b>	<u>\$ 761,742</u>	<u>\$ 774,473</u>
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt	\$ 60,000	\$ 60,000
Accounts Payable	9,784	16,512
Accrued Payroll and Payroll Taxes	17,140	14,792
Unearned Revenue	3,500	-
<b>Total Current Liabilities</b>	<u>90,424</u>	<u>91,304</u>
<b>LONG-TERM DEBT</b>	<u>125,000</u>	<u>185,000</u>
<b>TOTAL LIABILITIES</b>	<u>215,424</u>	<u>276,304</u>
<b>NET ASSETS</b>		
Unrestricted:		
Investment in Property and Equipment, Net of Related Debt	355,704	317,110
Unrestricted	28,052	11,958
Total Unrestricted	<u>383,756</u>	<u>329,068</u>
Temporarily Restricted	162,562	169,101
<b>Total Net Assets</b>	<u>546,318</u>	<u>498,169</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 761,742</u>	<u>\$ 774,473</u>

See Accompanying Notes

**FREEDOM HOUSE MINISTRIES, INC.**

Statement of Activities

For the Year Ended May 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 438,187	\$ 5,594	\$ 443,781
Supporting Our Families Together Contributions	-	62,815	62,815
Grants	75,908	-	75,908
In-Kind Donations	148,597	-	148,597
Fundraising	96,506	-	96,506
Other Revenue	9,423	-	9,423
Net Assets Released from Restriction:			
Expiration of Time Restriction	37,000	(37,000)	-
Restrictions Satisfied by Fulfillment of Donor Restrictions	37,948	(37,948)	-
<b>Total Support and Revenues</b>	<u>843,569</u>	<u>(6,539)</u>	<u>837,030</u>
<b>EXPENSES</b>			
Program Services	506,097	-	506,097
Management and General	110,387	-	110,387
Fundraising	172,397	-	172,397
<b>Total Expenses</b>	<u>788,881</u>	<u>-</u>	<u>788,881</u>
<b>CHANGE IN NET ASSETS</b>	54,688	(6,539)	48,149
<b>NET ASSETS - BEGINNING</b>	<u>329,068</u>	<u>169,101</u>	<u>498,169</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 383,756</u>	<u>\$ 162,562</u>	<u>\$ 546,318</u>

See Accompanying Notes

**FREEDOM HOUSE MINISTRIES, INC.**

## Statement of Activities

For the Year Ended May 31, 2011

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 449,466	\$ 37,000	\$ 486,466
Supporting Our Families Together Contributions	-	52,735	52,735
Grants	-	53,750	53,750
In-Kind Donations	86,754	-	86,754
Fundraising	69,938	-	69,938
Other Revenue	1,867	-	1,867
Net Assets Released from Restriction:			
Expiration of Time Restriction	58,385	(58,385)	-
Restrictions Satisfied by Payments	96,589	(96,589)	-
<b>Total Support and Revenues</b>	<u>762,999</u>	<u>(11,489)</u>	<u>751,510</u>
<b>EXPENSES</b>			
Program Services	502,451	-	502,451
Management and General	119,382	-	119,382
Fundraising	96,731	-	96,731
<b>Total Expenses</b>	<u>718,564</u>	<u>-</u>	<u>718,564</u>
<b>CHANGE IN NET ASSETS</b>	44,435	(11,489)	32,946
<b>NET ASSETS - BEGINNING</b>	<u>284,633</u>	<u>180,590</u>	<u>465,223</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 329,068</u>	<u>\$ 169,101</u>	<u>\$ 498,169</u>

See Accompanying Notes



**FREEDOM HOUSE MINISTRIES, INC.**

Statement of Functional Expenses  
For the Year Ended May 31, 2012

	Program				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
	Shelters	General	Fundraising	Total Supporting Services	Total Expenses
<b>EXPENSES</b>					
Salaries and Wages	\$ 248,276	\$ 32,999	\$ 32,999	\$ 65,998	\$ 314,273
Payroll Taxes	18,688	2,484	2,484	4,968	23,656
Employee Benefits	25,926	3,446	3,446	6,892	32,818
Unemployment and Workman's Compensation	20,271	2,694	2,694	5,388	25,659
Contributed Services	-	11,768	71,657	83,425	83,425
Shelter Supplies	1,106	-	-	-	1,106
Post Shelter	377	-	-	-	377
Food	10,171	-	-	-	10,171
Resident Assistance	58,452	-	-	-	58,452
Child Care Program	3,043	-	-	-	3,043
Supporting Our Families Together Program	32,802	-	-	-	32,802
Professional Fees	-	7,178	-	7,178	7,178
Rental Fees	-	294	-	294	294
Postage and Shipping	-	2,000	-	2,000	2,000
Dues and Subscriptions	1,450	3,879	-	3,879	5,329
Office	-	1,756	-	1,756	1,756
Auto Expenses	-	14,887	-	14,887	14,887
Interest	-	14,933	-	14,933	14,933
Insurance - Property and Liability	9,792	2,098	2,098	4,196	13,989
Telephone	4,060	-	-	-	4,060
Property Taxes	659	-	-	-	659
Utilities	32,311	-	-	-	32,311
Repairs and Maintenance	14,189	1,577	-	1,577	15,765
Depreciation	20,060	2,666	2,666	5,332	25,392
Miscellaneous	4,464	593	593	1,186	5,651
Advertising and Promotion	-	499	3,482	3,981	3,981
Fundraising Expenses	-	-	50,278	50,278	50,278
Life Insurance	-	4,636	-	4,636	4,636
<b>TOTAL EXPENSES</b>	<b>\$ 506,097</b>	<b>\$ 110,387</b>	<b>\$ 172,397</b>	<b>\$ 282,784</b>	<b>\$ 788,882</b>

See Accompanying Notes

**FREEDOM HOUSE MINISTRIES, INC.**

Statement of Functional Expenses

For the Year Ended May 31, 2011

	Program Services	Management and		Supporting Services		Total Expenses
	Shelters	General	Fundraising	Supporting Services	Total	
<b>EXPENSES</b>						
Salaries and Wages	\$ 246,038	\$ 32,701	\$ 32,701	\$ 65,402	\$ 311,440	
Payroll Taxes	17,344	2,305	2,305	4,610	21,954	
Employee Benefits	21,304	2,831	2,831	5,662	26,966	
Unemployment and Workman's Compensation	15,181	2,018	2,018	4,036	19,217	
Contributed Services	-	8,732	-	8,732	8,732	
Shelter Supplies	2,949	-	-	-	2,949	
Post Shelter	2,852	-	-	-	2,852	
Food	32,905	-	-	-	32,905	
Resident Assistance	39,237	-	-	-	39,237	
Supporting Our Families Together Program	43,557	-	-	-	43,557	
Professional Fees	-	8,746	949	9,695	9,695	
Rental Fees	-	393	-	393	393	
Postage and Shipping	-	2,458	-	2,458	2,458	
Dues and Subscriptions	1,312	2,205	-	2,205	3,517	
Office	-	3,933	-	3,933	3,933	
Auto Expenses	-	14,616	-	14,616	14,616	
Interest	-	20,848	-	20,848	20,848	
Insurance - Property and Liability	7,861	1,685	1,685	3,370	11,231	
Telephone	4,323	-	-	-	4,323	
Property Taxes	686	-	-	-	686	
Utilities	36,099	-	-	-	36,099	
Repairs and Maintenance	9,183	1,020	-	1,020	10,203	
Depreciation	17,638	2,344	2,344	4,688	22,326	
Miscellaneous	3,982	529	529	1,058	5,040	
Advertising and Promotion	-	-	4,749	4,749	4,749	
Fundraising Expenses	-	-	46,620	46,620	46,620	
Uncollectible Accounts	-	5,955	-	5,955	5,955	
Life Insurance	-	6,063	-	6,063	6,063	
<b>TOTAL EXPENSES</b>	<b>\$ 502,451</b>	<b>\$ 119,382</b>	<b>\$ 96,731</b>	<b>\$ 216,113</b>	<b>\$ 718,564</b>	

See Accompanying Notes

**FREEDOM HOUSE MINISTRIES, INC.**Statements of Cash Flows  
For the Years Ended May 31,

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 48,149	\$ 32,946
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities		
Depreciation	25,392	22,326
In-Kind Contributions of Property and Equipment	-	(7,500)
Increase in Cash Value of Life Insurance	(26,155)	(24,728)
Uncollectible Accounts	-	5,955
(Increase) Decrease in Operating Assets		
Accounts Receivable	421	2,581
Grants Receivable	21,200	(25,939)
Unconditional Promises to Give - Operating	36,960	15,430
Prepaid Expenses	(5,860)	1,275
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(6,729)	10,569
Accrued Payroll and Payroll Taxes	2,348	1,334
Unearned Revenue	3,500	-
Total Adjustments	<u>51,077</u>	<u>1,303</u>
<b>Net Cash Flows From Operating Activities</b>	<u>99,226</u>	<u>34,249</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Distribution from Beneficial Interest in Assets Held at Community Foundation	2,500	2,500
Purchase of Property and Equipment	<u>(3,986)</u>	<u>(57,674)</u>
<b>Net Cash Flows From Investing Activities</b>	<u>(1,486)</u>	<u>(55,174)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Long-Term Debt	<u>(60,000)</u>	<u>(60,000)</u>
<b>NET CHANGE IN CASH</b>	37,740	(80,925)
<b>CASH - BEGINNING</b>	<u>88,306</u>	<u>169,231</u>
<b>CASH - ENDING</b>	<u>\$ 126,046</u>	<u>\$ 88,306</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	<u>\$ 15,154</u>	<u>\$ 27,542</u>

See Accompanying Notes

# **FREEDOM HOUSE MINISTRIES, INC.**

Notes to Financial Statements

May 31, 2012 and 2011

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## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Freedom House Ministries, Inc. (Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

### **NATURE OF OPERATIONS**

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. The Organization served 63 families, 72 adults, and 155 children from June 1, 2011 through May 31, 2012 (unaudited). The Organization served 54 families, 61 adults, and 125 children from June 1, 2010 through May 31, 2011 (unaudited).

### **BASIS OF ACCOUNTING**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

### **CASH**

Cash deposits consist of demand deposits with financial institutions and are carried at cost.

### **ACCOUNTS AND GRANTS RECEIVABLE**

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management considers amounts to be fully collectible, therefore no allowance for uncollectible accounts is provided. If an amount becomes uncollectible it is charged to expense in the period in which that determination is made.

### **SUPPORT AND REVENUES**

Unconditional promises to give are recorded as received. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value applicable to the years in which the promises are expected to be received. These promises to give are reflected as either current or non-current promises to give on the statement of financial position depending on when payments are expected to be received and whether the promise to give is restricted for long-term purposes. The majority of the promises to give are received from a broad base of contributors as a result of the annual campaign.

The Organization uses the allowance method to determine uncollectible promises to give receivable. The allowance is based on prior year's experience and management's analysis of promises made. Management has determined that an allowance is not necessary at May 31, 2012 and 2011 and any uncollectible promises to give will be immaterial to the financial statements as a whole.

Contributions of cash and other assets that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as temporarily or permanently restricted support if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

# FREEDOM HOUSE MINISTRIES, INC.

Notes to Financial Statements

May 31, 2012 and 2011

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results may differ from those estimates.

### FINANCIAL STATEMENTS PRESENTATION

The Organization presents its financial statements according to three classes of net assets:

- Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.
- Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets. The Organization has no permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

### PROPERTY, EQUIPMENT AND DEPRECIATION

Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at estimated fair value at date of donation. All acquisitions of property and equipment in excess of \$400 are capitalized. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized. Depreciation for financial reporting purposes is calculated using straight-line and accelerated methods over the following estimated useful lives of the assets:

	<u>Years</u>
Buildings	40
Vehicles	5
Furniture and Fixtures	5 - 7

### INCOME TAXES

The Organization is a charitable organization under Section 501(c)(3) of the Internal Revenue Code, and thus is exempt from income taxes. Gifts, grants and bequests are deductible by donors within limitations of the Internal Revenue Code.

The Organization follows the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain tax positions at May 31, 2012.

# FREEDOM HOUSE MINISTRIES, INC.

Notes to Financial Statements  
May 31, 2012 and 2011

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### INCOME TAXES (Continued)

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years ended before May 31, 2009 and 2008 for federal and state income tax purposes, respectively.

### IN-KIND DONATIONS

Building and equipment donated to the Organization is valued at the fair value on the date of donation. Donated building and equipment is recorded as an asset and depreciated accordingly. There were no donated assets for the year ended May 31, 2012. Donated assets of \$7,500 were recorded for the year ended May 31, 2011.

Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services of \$83,425 and \$8,732 were recorded for the years ended May 31, 2012 and 2011, respectively.

The Organization also receives donations of food. Food donations of \$5,751 and \$30,994 were recorded for the years ended May 31, 2012 and 2011, respectively. The Organization received \$59,421 and \$39,528 in other in-kind donations for the years ended May 31, 2012 and 2011 and these donations included fundraising items and office supplies, as well as household and cleaning items that were used in the operations of the shelter.

In addition, donated services not meeting the criteria for recognition in the financial statements are received by the Organization. A substantial number of volunteers have donated significant amounts of their time. The value of these donated services is not reflected in the accompanying financial statements.

### EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### ADVERTISING

The Organization charges the costs of advertising to expense as incurred. Advertising expense was \$3,981 and \$4,749 for the years ended May 31, 2012 and 2011, respectively.

## NOTE 2 - UNCONDITIONAL PROMISES TO GIVE

Promises to give receivable represents promises to give, which have been made by donors but have not yet been received by the Organization. Promises to give were \$40 and \$37,000 at May 31, 2012 and 2011, respectively. All promises to give are receivable in less than one year.

## NOTE 3 - CASH VALUE OF LIFE INSURANCE

The Organization is named as the beneficiary of two life insurance policies on members of the Board of Directors. The death value benefit of the policies are \$1 million and \$100,000. Cash value of life insurance is reported on the statement of financial position net of policy loans. There were no loans outstanding at May 31, 2012 and 2011. Premiums paid and adjustments for cash value are netted and reported in the statements of activities as income.

**FREEDOM HOUSE MINISTRIES, INC.**Notes to Financial Statements  
May 31, 2012 and 2011**NOTE 4 - LONG-TERM DEBT**

Long-term debt consists of the following at May 31:

	<u>2012</u>	<u>2011</u>
Note payable to Johnson Bank due in monthly payments of interest only at 6.75%, monthly principal payments of \$5,000, due April, 2014, secured by a first real estate mortgage.	\$ 185,000	\$ 245,000
Less: Portion Due Within One Year	<u>60,000</u>	<u>60,000</u>
Long-Term Portion	<u>\$ 125,000</u>	<u>\$ 185,000</u>

Assuming no changes in loan terms, future principal payments of \$60,000, \$60,000 and \$65,000 are due in 2012-2013, 2013-2014 and 2014-15, respectively.

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at May 31, 2012 and 2011 are available for the following uses:

	<u>2012</u>	<u>2011</u>
Purpose Restrictions -		
Transitional Home - General Construction	\$ 116,705	\$ 116,705
Transitional Home - Kitchen Cabinetry	5,500	5,500
Supporting Our Families Together Program	40,096	9,896
Child Care Program	261	-
Time Restrictions - Pledges Receivable for Operations	<u>-</u>	<u>37,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 162,562</u>	<u>\$ 169,101</u>

**NOTE 6 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through January 9, 2012 the date which the financial statements were available to be issued.