

**FREEDOM SOURCE, INC**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**CADE, CRENSHAW & ASSOCIATES, P.C.**

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The Board of Directors  
Freedom Source, Inc.  
Birmingham, Alabama

**INDEPENDENT AUDITOR' S REPORT**

We have audited the accompanying financial statements of Freedom Source, Inc., a non-profit organization, which comprise the statement of financial position – cash basis as of December 31, 2012, and the related statement of activities – cash basis and notes to the financial statement.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

*Auditor's 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 of material misstatement.

An audit includes 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.

Board of Directors  
Independent Auditor's Report  
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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 in the first paragraph present fairly, in all material respects, the financial position of Freedom Source, Inc. as of December 31, 2012, and the changes in net assets for the year then ended in accordance with the cash basis of accounting as described in Note 1.

***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Cade, Crenshaw & Associates, P.C.*

Birmingham, Alabama  
March 17, 2014

**FREEDOM SOURCE, INC.**  
**STATEMENT OF FINANCIAL POSITION – CASH BASIS**  
**DECEMBER 31, 2012**

<b>ASSETS:</b>	
Cash and equivalents	\$ 56,598
Property and equipment, net	<u>3,569</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 60,167</u></b>
<b>LIABILITIES:</b>	
Other current liabilities	<u>\$ 36</u>
<b>NET ASSETS:</b>	
Unrestricted Net Assets	<u>60,131</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 60,167</u></b>

See accompanying notes

**FREEDOM SOURCE, INC.**  
**STATEMENT OF ACTIVITIES – CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>REVENUES:</b>	
Contributions	\$ 51,025
Grants	185,500
Consulting	1,125
Merchandise sales	<u>483</u>
<b>TOTAL REVENUES</b>	<u>238,133</u>
<b>EXPENSES:</b>	
Salaries and wages	117,077
Computer expense	22,000
Rental expense	8,633
Advertising	3,400
Office expense	7,973
Payroll taxes	7,684
Internship project	1,933
Travel	4,046
Consulting	838
Employee benefits	800
Dues and memberships	3,319
Marketing	425
Bank fees	1,020
Meals and entertainment	930
Licenses	468
Payroll service fee	958
Depreciation expense	938
Accounting fees	4,020
Miscellaneous	945
Meetings	5,943
Education - staff development	1,315
Charitable Contribution	1,250
Gifts	363
Insurance expense	425
Software	50
Postage	<u>193</u>
<b>TOTAL EXPENSES</b>	<u>196,946</u>
<b>EXCESS REVENUES OVER EXPENSES</b>	41,187
<b>NET ASSETS - DECEMBER 31, 2011</b>	<u>18,944</u>
<b>NET ASSETS - DECEMBER 31, 2012</b>	<u>\$ 60,131</u>

See accompanying notes

**FREEDOM SOURCE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Nature of Business** – Freedom Source, Inc. (the Organization) is an education and prevention organization dedicated to becoming the primary source of information and support for individuals and families in the community seeking freedom from substance abuse and addiction. The Freedom Source's vision is to eliminate addiction in Central Alabama. The Organization exists to support and create effective, culture-changing community awareness and prevention programs through area churches, schools and employers; to foster a community conversation to encourage collaboration and deployment of the most effective assessment, treatment and long-term recovery techniques; and to be the catalyst in increasing capacity for treatment, both youth and adult, to dramatically reduce the social cost and impact of addiction.

**Basis of Accounting** - The accompanying financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, revenues are recognized when received rather than when earned, and expenses are recognized when cash is disbursed rather than when the obligation is incurred.

*Unrestricted net assets* represent those assets that the Organization may use at its discretion.

*Temporarily restricted net assets* result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. See Note 2.

*Permanently restricted net assets* result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

As of December 31, 2012, the Organization has no temporarily or permanently restricted net assets.

**Property and Equipment** – Property and equipment is stated at cost. Betterments which materially add to the value of the related assets and materially extend the useful life of the assets are capitalized. Normal replacements and minor equipment purchases are included as expenses of the operating unrestricted net assets. Depreciation is recorded on the straight-line basis over the following estimated useful lives:

Furniture and Equipment	5 – 10 years
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**FREEDOM SOURCE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd):**

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income Taxes** - The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization, under FIN48, has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. 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 effect 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 income tax positions at December 31, 2012.

**Cash and Cash Equivalents** – The Organization considers cash to include cash in non-interest bearing and interest bearing accounts and all short-term, highly liquid investments with a maturity of ninety days or less.

**Contributed Services** – During the year ended December 31, 2012, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2012 was as follows:

Furniture, Fixtures and Equipment	\$ 6,369
Accumulated Depreciation	<u>(2,800)</u>
Property and Equipment, net	<u>\$ 3,569</u>

**FREEDOM SOURCE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2012**

**NOTE 3 – RELATED PARTY TRANSACTIONS**

The Organization shares facilities and utilizes shared resources and administrative services with a company that is owned and operated by one of its board members. Costs are being allocated using an agreed upon percentage that is derived by number of personnel per entity. This agreement is a month-to-month agreement decided upon by the board of the Organization and the president of the affiliated company. The expenses associated with the operations and usage of resources are reported in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

A substantial amount of the Organization's support for the year ended December 31, 2012 was from one of its board members. Either directly or indirectly, this board member was responsible for approximately 63% of the Organization's receipts.

**NOTE 4 - SUBSEQUENT EVENTS:**

Management has evaluated subsequent events through March 17, 2014, the date on which the financial statements were available to be issued.