

REFUGE FOR WOMEN, INC.
LEXINGTON, KENTUCKY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2016

HICKS & ASSOCIATES CPAS
CERTIFIED PUBLIC ACCOUNTANTS

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Hicks & Associates CPAs

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Refuge for Women, Inc.
Lexington, Kentucky

We have audited the accompanying consolidated financial statements of Refuge for Women, Inc. (Refuge), a nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT
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Opinion

In our opinion, the consolidated financial statements referred to on the previous page present fairly, in all material respects, the financial position of the Refuge as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Hicks & Associates CPAs

September 1, 2017

REFUGE FOR WOMEN, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 762,663
Inventory	330
Prepaid expenses	<u>7,723</u>
TOTAL CURRENT ASSETS	770,716

PROPERTY AND EQUIPMENT

Buildings and improvements	489,423
Land	120,000
Leasehold improvements	99,534
Vehicles	<u>18,277</u>
TOTAL PROPERTY AND EQUIPMENT	727,234
Accumulated depreciation	<u>(40,863)</u>
PROPERTY AND EQUIPMENT, NET	<u>686,371</u>

TOTAL ASSETS	<u><u>\$ 1,457,087</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 17,672
Accrued payroll and taxes	<u>34,245</u>
TOTAL CURRENT LIABILITIES	51,917

NET ASSETS

Unrestricted	<u>1,405,170</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,457,087</u></u>
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See Notes to Consolidated Financial Statements.

REFUGE FOR WOMEN, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

REVENUE

Corporate donations	\$ 217,103
Donations	651,513
Foundations	46,234
Fundraising	352,056
Interest income	33
Major donors	482,688
Miscellaneous	<u>13,922</u>
TOTAL REVENUE	1,763,549

EXPENSES

Client expenses	2,212
Compensation	662,906
Depreciation	17,196
Fundraising	79,469
General and administrative	149,925
Phase I - occupational expenses	114,725
Phase II - occupational expenses	27,785
Phase III - occupational expenses	16,842
Ministry development	23,995
Outside fees	<u>45,829</u>
TOTAL EXPENSES	<u>1,140,884</u>

CHANGE IN NET ASSETS	622,665
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NET ASSETS, BEGINNING OF YEAR	<u>782,505</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 1,405,170</u></u>
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See Notes to Consolidated Financial Statements.

REFUGE FOR WOMEN, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 622,665
Adjustments to reconcile change in net assets to net change from operating activities:	
Depreciation	17,196
Donated rent income	(65,420)
Donated rent expense	65,420
Donated vehicles	(18,277)
Changes in operating assets and liabilities:	
(Increase) decrease in prepaid expenses	2,011
Increase (decrease) in accounts payable	6,213
Increase (decrease) in accrued payroll and taxes	<u>26,906</u>
NET CHANGE FROM OPERATING ACTIVITIES	656,714
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(609,423)</u>
NET CHANGE FROM INVESTING ACTIVITIES	<u>(609,423)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	47,291
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>715,372</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 762,663</u></u>

See Notes to Consolidated Financial Statements.

REFUGE FOR WOMEN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES

Refuge for Women, Inc. (Refuge) is a nonprofit, faith-based organization that provides long-term care for women who have escaped human trafficking or sexual exploitation at no charge to the residents. With locations in several cities across the United States, the Refuge offers up to twelve months of safe housing with twenty-four-hour-a-day staffing as they progress through evidence-based, trauma-informed programming. The compassionate staff is trained to help residents work through the program to reclaim their own identities and reach their goals to overcome addictions, heal from trauma and develop life skills leading to healthy, balanced living and financial independence. The Refuge strives to help each woman complete the program with a vision for her future, equipped to succeed and sustain a life marked with dignity and hope.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Refuge have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Refuge is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All of the Refuge's net assets are unrestricted.

Net assets of the Refuge are classified and reported as follows:

- 1) Unrestricted net assets include the portion of expendable funds available for support in the operation of the Refuge.
- 2) Temporarily restricted net assets represent contributions that are received with donor stipulations that limit the use of the donated assets.
- 3) Permanently restricted net assets include amounts for which the donor has stipulated that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Income Tax Status

The Refuge is a nonprofit corporation exempt from federal income tax under section 501 (c) (3) of the Internal Revenue Code.

As of December 31, 2016, the Refuge has no uncertain tax positions that qualify for disclosure in the financial statements. Tax years still open under federal and state statute of limitations remain subject to review and change.

REFUGE FOR WOMEN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and certificates of deposit, all of which have an original maturity of three months or less.

Inventory

The inventory consists of t-shirts, cups and a small portion of hand-made jewelry. All these items are recorded at cost. Once the jewelry has been sold, this type of merchandise will no longer be offered.

Property and Equipment

The Refuge capitalizes expenditures over \$5,000 and with a useful life exceeding one year. Property and equipment are recorded at cost. Donated property and equipment are stated at the estimated fair market value at the date of donation to the Refuge. The Refuge provides for depreciation on the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings and improvements	27.5
Leasehold improvements	10
Vehicles	5

Depreciation expense was \$17,196 for the year ended December 31, 2016.

Compensated Absences

Employees of the Refuge are entitled to paid compensated absences, depending on job classification, length of service and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the financial statements. The Refuge's policy is to recognize the costs of compensated absences when actually paid.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. During the year ended December 31, 2016, there were no temporarily or permanently restricted contributions received.

REFUGE FOR WOMEN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C - OPERATING LEASES

The Refuge is lessee on three separate residential houses used in its operations. The leases in Kentucky are for 10 years and each contains language as of December 31, 2016 that allows the leases to terminate without cause within 180 days of written notice. These leases are donated to Refuge and do not require payment. Refuge personnel estimate the fair market rental value to be \$800 per month on two of the houses and \$900 per month on the third. The estimated contributed rent for the three houses is \$30,000 for the year ended December 31, 2016.

The Refuge's National office is located in Lexington, KY and has also been donated. Refuge personnel estimate the fair market rental value to be \$1,500 per month. The estimated contributed rent for the National office is \$18,000 for the year ended December 31, 2016.

During the year ended December 31, 2015, Refuge signed a 15 month lease for a Nevada residence that ended on November 30, 2016. The Refuge paid \$580 in rent during 2016. Refuge personnel estimate the fair market rental value to be \$1,500 per month. Therefore, the estimated contributed rent for the Nevada residence is \$17,420 for the year ended December 31, 2016.

NOTE D - SUBSEQUENT EVENT

The Refuge entered into a twelve month lease with iToy, LLC on February 28, 2017 to rent a Nevada residential space. Refuge will pay \$2,000 per month to rent the residence.

NOTE E - CORPORATE STRUCTURE - CONSOLIDATED FINANCIAL STATEMENTS

Each satellite office is a separate nonprofit corporation wholly owned by the Refuge. Each local satellite office has their own Board of Directors and can make their own decisions within certain parameters but do not set policy. Each Board is chosen and governed by the Refuge. As a result, these financial statements are presented on a consolidated basis with all intercompany transactions identified in the eliminations column of the consolidating statement of activities, which can be found on page 13 of the supplemental information.

NOTE F - DATE OF MANAGEMENT'S REVIEW

The Refuge's subsequent events have been evaluated by management through September 1, 2017, which is the date the consolidated financial statements were available to be issued.

REFUGE FOR WOMEN, INC.
LEXINGTON, KENTUCKY

SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2016

REFUGE FOR WOMEN, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

	KENTUCKY	LAS VEGAS	CHICAGO	N. TEXAS	ATLANTA	NATIONAL	TOTAL ALL LOCATIONS
CURRENT ASSETS							
Cash and cash equivalents	\$ 330,511	\$ 75,831	\$ 102,641	\$ 180,438	\$ 9,047	\$ 64,195	\$ 762,663
Inventory	330	-	-	-	-	-	330
Prepaid expenses	1,236	-	5,247	1,240	-	-	7,723
TOTAL CURRENT ASSETS	332,077	75,831	107,888	181,678	9,047	64,195	770,716
PROPERTY AND EQUIPMENT							
Buildings and improvements	-	-	175,000	314,423	-	-	489,423
Land	-	-	50,000	70,000	-	-	120,000
Leasehold improvements	99,534	-	-	-	-	-	99,534
Vehicles	11,377	-	4,000	2,900	-	-	18,277
TOTAL PROPERTY AND EQUIPMENT	110,911	-	229,000	387,323	-	-	727,234
Accumulated depreciation	(33,620)	-	(2,652)	(4,591)	-	-	(40,863)
PROPERTY AND EQUIPMENT, NET	77,291	-	226,348	382,732	-	-	686,371
TOTAL ASSETS	\$ 409,368	\$ 75,831	\$ 334,236	\$ 564,410	\$ 9,047	\$ 64,195	\$ 1,457,087

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES							
Accounts payable	\$ 6,249	\$ -	\$ -	\$ 11,423	\$ -	\$ -	\$ 17,672
Accrued payroll and taxes	12,257	3,382	6,733	5,629	-	6,244	34,245
TOTAL CURRENT LIABILITIES	18,506	3,382	6,733	17,052	-	6,244	51,917
NET ASSETS							
Unrestricted	390,862	72,449	327,503	547,358	9,047	57,951	1,405,170
TOTAL LIABILITIES AND NET ASSETS	\$ 409,368	\$ 75,831	\$ 334,236	\$ 564,410	\$ 9,047	\$ 64,195	\$ 1,457,087

See Notes to Consolidated Financial Statements.

REFUGEE FOR WOMEN, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	KENTUCKY	LAS VEGAS	CHICAGO	N. TEXAS	S. FLORIDA	ATLANTA	NATIONAL	ELIMINATIONS	TOTAL ALL LOCATIONS
REVENUE									
Corporate donations	\$ 26,027	\$ 1,017	\$ 194,704	\$ 2,855	\$ -	\$ 2,500	\$ -	\$ (10,000)	(1) \$ 217,103
Donations	188,970	158,304	170,917	88,493	11,511	8,184	41,891	(16,757)	(1) 651,513
Foundations	21,518	-	2,471	32,245	-	-	10,000	(20,000)	(1) 46,234
Fundraising	224,744	40,332	32,344	60,429	1,822	2,286	-	(9,901)	(1) 352,056
Interest income	33	-	-	-	-	-	-	-	33
Major donors	34,421	-	34,307	412,960	1,000	-	-	-	482,688
Miscellaneous	7,320	942	-	931	-	100	31,578	(26,949)	(1) 13,922
TOTAL REVENUE	503,033	200,595	434,743	597,913	14,333	13,070	83,469	(83,607)	1,763,549
EXPENSES									
Client expenses	1,529	481	202	-	-	-	-	-	2,212
Compensation	318,436	102,715	91,513	30,139	-	-	120,103	-	662,906
Depreciation	9,953	-	2,652	4,591	-	-	-	-	17,196
Fundraising	30,226	20,867	17,581	8,838	109	1,486	362	-	79,469
General and administrative	91,855	33,398	33,610	12,337	7,319	2,440	52,573	(83,607)	(1) 149,925
Phase I - occupational expenses	26,613	40,467	15,253	4,383	10,000	9	18,000	-	114,725
Phase II - occupational expenses	27,785	-	-	-	-	-	-	-	27,785
Phase III - occupational expenses	16,842	-	-	-	-	-	-	-	16,842
Ministry development	8,324	6,234	3,109	888	393	88	4,959	-	23,995
Outside fees	4,389	1,043	10,191	804	-	-	29,402	-	45,829
TOTAL EXPENSES	535,952	205,205	174,111	61,980	17,821	4,023	225,399	(83,607)	1,140,884
CHANGE IN NET ASSETS	(32,919)	(4,610)	260,632	535,933	(3,488)	9,047	(141,930)	-	622,665
NET ASSETS, BEGINNING OF YEAR	423,781	77,059	66,871	11,425	3,488	-	199,881	-	782,505
NET ASSETS, END OF YEAR	\$ 390,862	\$ 72,449	\$ 327,503	\$ 547,358	\$ -	\$ 9,047	\$ 57,951	\$ -	\$ 1,405,170

(1) To eliminate intercompany transfers in the amount of \$83,607.