

REFUGE FOR WOMEN, INC.
LEXINGTON, KENTUCKY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

YEAR ENDED DECEMBER 31, 2017

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, 2017, 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 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
-CONTINUED-

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, 2017, 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 on pages 13 and 14 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

June 13, 2018

REFUGE FOR WOMEN, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 663,424
Inventory	330
Prepaid expenses	7,433
TOTAL CURRENT ASSETS	<u>671,187</u>

TEMPORARILY RESTRICTED ASSETS

Cash and cash equivalents	20,000
Accounts receivable	5,000
TOTAL TEMPORARILY RESTRICTED ASSETS	<u>25,000</u>

PROPERTY AND EQUIPMENT

Buildings and improvements	489,423
Land	120,000
Leasehold improvements	99,534
Vehicles	23,487
TOTAL PROPERTY AND EQUIPMENT	732,444
Accumulated depreciation	(72,992)
PROPERTY AND EQUIPMENT, NET	<u>659,452</u>

TOTAL ASSETS	<u><u>\$ 1,355,639</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 9,833
Accrued payroll and taxes	37,583
TOTAL CURRENT LIABILITIES	<u>47,416</u>

NET ASSETS

Unrestricted	1,283,223
Temporarily restricted	25,000
TOTAL NET ASSETS	<u>1,308,223</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,355,639</u></u>
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See Notes to Consolidated Financial Statements.

REFUGE FOR WOMEN, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

UNRESTRICTED REVENUE	
Corporate donations	\$ 39,773
Donations	758,064
Foundations	58,948
Fundraising	445,994
Grants	150,073
Interest income	389
Major donors	54,568
Miscellaneous	3,642
TOTAL UNRESTRICTED REVENUE	<u>1,511,451</u>
UNRESTRICTED EXPENSES	
Client expenses	97,133
Compensation	1,009,527
Depreciation	32,129
Fundraising	179,348
General and administrative	141,813
Phase I - occupational expenses	75,541
Phase II - occupational expenses	24,746
Phase III - occupational expenses	13,769
Ministry development	21,542
Outside fees	37,850
TOTAL UNRESTRICTED EXPENSES	<u>1,633,398</u>
CHANGE IN UNRESTRICTED NET ASSETS	(121,947)
TEMPORARILY RESTRICTED REVENUE	
Grant	<u>25,000</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>25,000</u>
TOTAL CHANGE IN NET ASSETS	(96,947)
TOTAL NET ASSETS, BEGINNING OF YEAR	<u>1,405,170</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 1,308,223</u>

See Notes to Consolidated Financial Statements.

REFUGE FOR WOMEN, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in total net assets	\$ (96,947)
Adjustments to reconcile change in total net assets to net change from operating activities:	
Depreciation	32,129
Donated rent income	(48,000)
Donated rent expense	48,000
Donated vehicle	(2,900)
Other in-kind donations	(68,236)
Other in-kind expenses	68,236
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(5,000)
(Increase) decrease in prepaid expenses	290
Increase (decrease) in accounts payable	(7,839)
Increase (decrease) in accrued payroll and taxes	<u>3,338</u>
NET CHANGE FROM OPERATING ACTIVITIES	(76,929)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(2,310)</u>
NET CHANGE FROM INVESTING ACTIVITIES	<u>(2,310)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(79,239)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>762,663</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 683,424</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. There are no permanently restricted net assets.

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, 2017, 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 unrestricted and temporarily restricted 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.

Accounts Receivable

Accounts receivable represents funds due from United Way of the Bluegrass' Regional Grant Process. The Refuge uses the revenue to fund their Kentucky program director's salary. Management considers all amounts fully collectible in 2018.

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 \$32,129 for the year ended December 31, 2017.

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.

REFUGE FOR WOMEN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2017, there were no permanently restricted contributions received.

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, 2017 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 for two of the houses and \$900 per month for the third. The estimated donated rent for the three houses is \$30,000 for the year ended December 31, 2017.

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 donated rent for the National office is \$18,000 for the year ended December 31, 2017.

The Refuge signed a twelve month lease in February 2017 for a Nevada residence. The agreement requires payments of \$2,000 per month. Rent expense paid for the residence was \$20,500 for the year ended December 31, 2017.

NOTE D - TEMPORARILY RESTRICTED NET ASSETS

The Refuge received \$20,000 in temporarily restricted funds restricted for the purpose of opening a Louisville, Kentucky women's shelter. The funds had not been spent as of December 31, 2017. The Refuge also received \$10,000 in temporarily restricted funds restricted for the purpose of supplementing the Kentucky program director's salary. The Refuge expended \$5,000 during 2017 and the remaining \$5,000 is included in accounts receivable as of December 31, 2017. Temporarily restricted net assets total \$25,000 as of December 31, 2017.

NOTE E - RELATED PARTY

The Refuge has four separate bank accounts with First Southern National Bank in Lexington, KY as of December 31, 2017. The President of the Lexington, KY branch also serves as Treasurer for the Refuge's National Board. The total balance of all accounts as of December 31, 2017 was \$223,127.

REFUGE FOR WOMEN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - SUBSEQUENT EVENTS

Lease Agreement

The Refuge entered into a twelve month lease with iToy, LLC Series 1, on February 28, 2018 to rent a Nevada residential space beginning March 2018. Refuge will pay \$2,000 per month to rent the residence.

Contingency

Refuge for Women Emerald Coast, Inc., a satellite office of the Refuge, made the decision to separate from the Refuge in April 2018. Conversations are ongoing to determine who will retain the total assets of Refuge for Women Emerald Coast, Inc., which as of December 31, 2017, were \$63,108.

NOTE G - 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 local Board of Directors and can make their own decisions within certain parameters but do not set policy. Chairmen and City Directors for satellite offices are chosen by the National Board but other members are determined locally. The National Board has the right to remove members of the satellite Boards if it deems it is in the best interest of 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 14 of the supplemental information.

NOTE H - DATE OF MANAGEMENT'S REVIEW

The Refuge's subsequent events have been evaluated by management through June 13, 2018, 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, 2017

REFUGEE FOR WOMEN, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

	CENTRAL KENTUCKY	LAS VEGAS	CHICAGO	N. TEXAS	ATLANTA	SOUTHERN CALIFORNIA	EMERALD COAST	LOUISVILLE	NATIONAL	TOTAL ALL LOCATIONS
CURRENT ASSETS										
Cash and cash equivalents	\$ 161,134	\$ 47,480	\$ 136,261	\$ 171,981	\$ 16,909	\$ 53,538	\$ 63,108	\$ 4,557	\$ 8,456	\$ 663,424
Inventory	330	-	-	-	-	-	-	-	-	330
Prepaid expenses	3,939	-	625	2,869	-	-	-	-	-	7,433
TOTAL CURRENT ASSETS	165,403	47,480	136,886	174,850	16,909	53,538	63,108	4,557	8,456	671,187
TEMPORARILY RESTRICTED ASSETS										
Cash and cash equivalents	-	-	-	-	-	-	-	20,000	-	20,000
Accounts receivable	5,000	-	-	-	-	-	-	-	-	5,000
TOTAL TEMPORARILY RESTRICTED ASSETS	5,000	-	-	-	-	-	-	20,000	-	25,000
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	2,310	4,000	5,800	-	-	-	-	-	23,487
TOTAL PROPERTY AND EQUIPMENT	110,911	2,310	229,000	390,223	-	-	-	-	-	732,444
Accumulated depreciation	(45,848)	(385)	(9,816)	(16,943)	-	-	-	-	-	(72,992)
PROPERTY AND EQUIPMENT, NET	65,063	1,925	219,184	373,280	-	-	-	-	-	659,452
TOTAL ASSETS	\$ 235,466	\$ 49,405	\$ 356,070	\$ 548,130	\$ 16,909	\$ 53,538	\$ 63,108	\$ 24,557	\$ 8,456	\$ 1,355,639
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Accounts payable	\$ 5,445	\$ 503	\$ 825	\$ 3,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,833
Accrued payroll and taxes	14,294	6,940	5,592	5,412	-	-	1,695	-	3,650	37,583
TOTAL CURRENT LIABILITIES	19,739	7,443	6,417	8,472	-	-	1,695	-	3,650	47,416
NET ASSETS										
Unrestricted	210,727	41,962	349,653	539,658	16,909	53,538	61,413	4,557	4,806	1,283,223
Temporarily restricted	5,000	-	-	-	-	-	-	20,000	-	25,000
TOTAL NET ASSETS	215,727	41,962	349,653	539,658	16,909	53,538	61,413	24,557	4,806	1,308,223
TOTAL LIABILITIES AND NET ASSETS	\$ 235,466	\$ 49,405	\$ 356,070	\$ 548,130	\$ 16,909	\$ 53,538	\$ 63,108	\$ 24,557	\$ 8,456	\$ 1,355,639

REFUGEE FOR WOMEN, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	CENTRAL KENTUCKY	LAS VEGAS	CHICAGO	N. TEXAS	ATLANTA	SOUTHERN CALIFORNIA	EMERALD COAST	LOUISVILLE	NATIONAL	ELIMINATIONS	TOTAL ALL LOCATIONS
UNRESTRICTED REVENUE											
Corporate donations	\$ 11,211	\$ -	\$ 22,258	\$ 4,504	\$ -	\$ 509	\$ 250	\$ -	\$ 1,041	\$ -	\$ 39,773
Donations	172,777	215,687	138,451	107,082	6,431	26,483	41,999	10,487	38,667	-	758,064
Foundations	10,833	-	9,522	8,093	-	-	-	500	30,000	-	58,948
Fundraising	175,680	56,093	52,025	95,486	6,545	42,788	15,790	1,393	194	-	445,994
Grants	5,000	60,093	73,900	11,080	-	-	-	-	-	-	150,073
Interest income	385	3	1	-	-	-	-	-	-	-	389
Major donors	18,459	-	-	-	-	-	27,725	1,942	12,550	(6,108)	54,568
Miscellaneous	384	1,241	-	210	1,439	-	-	-	82,935	(82,567)	3,642
TOTAL UNRESTRICTED REVENUE	394,729	333,117	296,157	226,455	14,415	69,780	85,764	14,322	165,387	(88,675)	1,511,451
UNRESTRICTED EXPENSES											
Client expenses	522	57,080	18,018	14,394	-	-	820	-	6,299	-	97,133
Compensation	346,935	172,643	200,365	148,328	150	150	9,128	-	131,828	-	1,009,527
Depreciation	12,228	385	7,164	12,352	-	-	-	-	-	-	32,129
Fundraising	56,533	58,877	21,585	18,623	3,306	12,473	6,779	598	574	-	179,348
General and administrative	80,750	38,656	21,839	38,776	2,463	3,619	7,102	9,167	28,116	(88,675)	141,813
Phase I - occupational expenses	30,369	26,329	843	-	-	-	-	-	18,000	-	75,541
Phase II - occupational expenses	24,746	-	-	-	-	-	-	-	-	-	24,746
Phase III - occupational expenses	13,769	-	-	-	-	-	-	-	-	-	13,769
Ministry development	7,222	6,270	3,015	712	634	-	373	-	3,316	-	21,542
Outside fees	1,790	3,364	1,178	970	-	-	149	-	30,399	-	37,850
TOTAL UNRESTRICTED EXPENSES	574,864	363,604	274,007	234,155	6,553	16,242	24,351	9,765	218,532	(88,675)	1,633,398
CHANGE IN UNRESTRICTED NET ASSETS	(180,135)	(30,487)	22,150	(7,700)	7,862	53,538	61,413	4,557	(53,145)	-	(121,947)
TEMPORARILY RESTRICTED REVENUE											
Grant	5,000	-	-	-	-	-	-	20,000	-	-	25,000
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS											
	5,000	-	-	-	-	-	-	20,000	-	-	25,000
TOTAL CHANGE IN NET ASSETS	(175,135)	(30,487)	22,150	(7,700)	7,862	53,538	61,413	24,557	(53,145)	-	(96,947)
TOTAL NET ASSETS, BEGINNING OF YEAR	390,862	72,449	327,503	547,358	9,047	-	-	-	57,951	-	1,405,170
TOTAL NET ASSETS, END OF YEAR	\$ 215,727	\$ 41,962	\$ 349,653	\$ 539,658	\$ 16,909	\$ 53,538	\$ 61,413	\$ 24,557	\$ 4,806	\$ -	\$ 1,308,223

(1) To eliminate intercompany transfers in the amount of \$88,675.