FOR THE NATIONS REFUGEE OUTREACH

Financial Statements
With Independent Auditors' Report

August 31, 2017

CAPINCROUSE LLP

FOR THE NATIONS REFUGEE OUTREACH

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CAPINCROUSE LLP

INDEPENDENT AUDITORS' REPORT

Board of Directors
For The Nations Refugee Outreach
Dallas, Texas

We have audited the accompanying financial statements of For The Nations Refugee Outreach, which comprise the statement of financial position as of August 31, 2017, and the related statements of activities 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 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.

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

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Board of Directors
For The Nations Refugee Outreach
Dallas, Texas

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of For The Nations Refugee Outreach as of August 31, 2017, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Grapevine, Texas
May 18, 2018

FOR THE NATIONS REFUGEE OUTREACH

Statement of Financial Position

August 31, 2017

ASSETS:		
Cash and cash equivalents	$	2,007,510
Investments		19,922
Prepaid expenses and other assets		7,937
Property and equipment–net		1,858,674
Total Assets	$	3,894,043
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable and accrued expenses	$	144,436
Retainage payable		49,137
		193,573
Net assets:		
Unrestricted net assets		
Undesignated		395,393
Investment in property and equipment–net		374,733
		770,126
Temporarily restricted net assets		2,930,344
		3,700,470
Total Liabilities and Net Assets	$	3,894,043

See notes to financial statements

FOR THE NATIONS REFUGEE OUTREACH

Statement of Activities

For the Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support, Revenue, and Reclassifications:			
Contributions	$ 495,056	$ 2,264,961	$ 2,760,017
Gift in kind	141,577	210,819	352,396
Other income	5,344	-	5,344
Reclassifications–net assets released from restrictions: Satisfaction of purpose restrictions	569,325	(569,325)	-
Total Support, Revenue, and Reclassifications	1,211,302	1,906,455	3,117,757
Expenses:			
Program services:			
Refugee outreach	851,052	-	851,052
Supporting activities:			
General and administrative	129,072	-	129,072
Fundraising	53,038	-	53,038
	182,110	-	182,110
Total Expenses	1,033,162	-	1,033,162
Total Change in Net Assets	178,140	1,906,455	2,084,595
Net Assets, Beginning of Year	591,986	1,023,889	1,615,875
Net Assets, End of Year	$ 770,126	$ 2,930,344	$ 3,700,470

See notes to financial statements

FOR THE NATIONS REFUGEE OUTREACH

Statement of Cash Flows

For the Year Ended August 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 2,084,595
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	3,193
Contributions received for long-term purposes	(1,838,469)
Donated stock	(26,213)
Donated property and equipment	(167,128)
Changes in operating assets and liabilities:	
Prepaid expenses and other assets	(5,658)
Accounts payable and accrued expenses	17,072
Net Cash Provided by Operating Activities	67,392
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(1,101,719)
Proceeds from sale of investments	15,896
Net Cash Used by Investing Activities	(1,085,823)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Contributions restricted for long-term purposes	1,838,469
Net Cash Provided by Financing Activities	1,838,469
Net Increase in Cash and Cash Equivalents	820,038
Cash and Cash Equivalents, Beginning of Year	1,187,472
Cash and Cash Equivalents, End of Year	$ 2,007,510
SUPPLEMENTAL DISCLOSURE:	
Property and equipment capitalized but not yet paid for	$ 176,501

See notes to financial statements

FOR THE NATIONS REFUGEE OUTREACH

Notes to Financial Statements

August 31, 2017

1. NATURE OF ORGANIZATION:

For the Nations Refugee Outreach (FTNRO), a nonprofit organization incorporated in the State of Texas, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). The mission is to provide educational and acculturation services that help meet the practical needs of refugees and to share with them the gospel of Jesus Christ.

FTNRO relies primarily on contributions to operate and conduct its programs and activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

FTNRO maintains its accounts and prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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 the reported amounts of assets and liabilities, disclosures of any contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting periods. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and short-term, highly liquid investments with an original maturity term of three months or less. The balances, at times, may exceed federally insured limits. FTNRO has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk. As of August, 31, 2017, FTNRO had amounts exceeding federally insured limits by $1,462,210.

INVESTMENTS

Investments in equity securities with readily determinable market values are reported at fair value with net gains and losses reported as unrestricted other income in the statement of activities. Donated investments are reported at the fair value on the date of donation and thereafter reported at fair value.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or fair value if contributed and include improvements that significantly add to utility or extend useful lives. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is recorded using the straight-line method over the estimated useful lives, which range from eight to twenty years. Depreciation is allocated to the various underlying program services and supporting activities. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in support and revenue for the period. Purchases in excess of $500 are capitalized. Depreciable lives by type of asset are:

Building improvements	20 years
Vehicles	8-15 years
Equipment	3 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS

The net assets of FTNRO are reported in the following classes:

Unrestricted net assets are currently available at the discretion of the board for use in FTNRO's operations, those resources invested in property and equipment, and designated by the board for maintenance reserves.

Temporarily restricted net assets include assets of FTNRO related to gifts with explicit donor-imposed restrictions that have not been met as to the specified purpose or to later periods of time or after specified dates.

SUPPORT AND REVENUE

Contributions are recorded when made, which may be when cash and other assets are received or when unconditionally promised. FTNRO reports gifts of cash and other assets as temporarily restricted net assets if they are received with donor stipulations that limit the use of the contributed amounts. Other income is recorded when earned.

A monthly administrative assessment of $20 is assessed to each support raised fund to help offset the general fund's administrative costs. The monthly amounts transferred from support raised funds to the general fund are reported as reclassifications in the statement of activities.

FTNRO reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, FTNRO reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Gift in kind is comprised of donated goods and services that are recorded at fair market value at the time of the donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by FTNRO. Non-cash contributions consisting of the value of labor of staff assigned to FTNRO was $128,000 for the year ended August 31, 2017. Donated professional services including accounting, architect, and attorney services were approximately $196,000 for the year ended August 31, 2017. Donated securities and donated rent are also included in gift in kind on the statement of activities.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various program services and supporting activities have been summarized on a functional basis in the statement of activities and in Note 6. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

3. INVESTMENTS:

Investments consist of equity securities of $19,922 in basic materials as of August 31, 2017. FTNRO follows the provisions of the *Fair Value Measurements and Disclosure* topic of the ASC. These standards define fair value, establish a framework for measuring fair value under GAAP, and enhance disclosures about fair value measurements. Fair value is defined under the standards as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market between market participants on the measurement date. All of FTNRO's investments are considered Level 1. This means that there are quoted prices for identical instruments traded in active markets. Investment income consists of $143 of realized gains for the year ended August 31, 2017, and is included in other income in the statement of activities.

4. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consist of the following as of August 31, 2017:

Land	$	333,597
Buildings and improvements		2,436
Vehicles		44,893
Equipment		1,131
		382,057
Less accumulated depreciation		(7,324)
		374,733
Construction in progress		1,483,941
	$	1,858,674

As of August 31, 2017, construction in progress relates to a building project. The building will be depreciated when it has been completed. See additional commitments in note 8.

Equity in property and equipment–net consists of the following as of August 31, 2017:

Property and equipment–net	$	1,858,674
Less related payables		(176,501)
Less temporarily restricted equity in construction in progress		(1,307,440)
Unrestricted equity in property and equipment–net	$	374,733

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following as of August 31, 2017:

Building funds:		
Incurred and spent on construction of building	$	1,483,941
Held for construction of building in cash		1,205,483
		2,689,424
Support raised staff		221,785
Acculturation		19,135
	$	2,930,344

6. FUNCTIONAL CLASSIFICATION OF EXPENSES:

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of FTNRO. Costs were allocated based upon estimates of time, effort, and principle purpose of the activity. Total expense includes all administrative, fundraising, and general operating and non-operating costs associated with furthering the mission and vision of FTNRO, its ministries, and the community constituencies served.

The following table reflects the functional allocation of expenses by natural classification as of August 31, 2017:

	Refugee Outreach	General and Administrative	Fundraising	Total
Salaries and benefits	$ 699,907	$ 71,981	$ 45,655	$ 817,543
Program supplies and office expenses	49,927	25,707	3,274	78,908
Rent expenses	44,663	1,108	1,108	46,879
Travel expenses	26,698	1,322	2,921	30,941
Professional fees	-	28,500	-	28,500
Repairs and maintenance	22,308	374	-	22,682
Grants	4,516	-	-	4,516
Depreciation expense	3,033	80	80	3,193
	$ 851,052	$ 129,072	$ 53,038	$ 1,033,162

7. CONCENTRATION:

FTNRO receives a substantial amount of support from six contributors. Contributions from these six contributors amounted to approximately $1,394,000 for the year ended August 31, 2017. A significant reduction in the level of support from these contributors could have an adverse effect on FTNRO's programs and activities.

8. BUILDING COMMITMENTS:

FTNRO is in the process of building a facility to expand program outreach, which will be done in phases. FTNRO has commitments of approximately $2,842,000 relating to phase 1 of this contract, of which approximately $1,641,000 has been paid as of August 31, 2017. Phase 1 is expected to be completed near the end of June 2018.

9. LEASE COMMITMENTS:

FTNRO leases various office space under noncancelable operating lease agreements with total monthly payments ranging from $925 to $4,000. These agreements expire through November 30, 2018. Total lease expense for the year ended August 31, 2017, was approximately $43,300 relating to these leases.

Future minimum lease payments under noncancelable operating leases are as follows:

For the Year Ending August 31,	Amounts
2018	$ 48,000
2019	3,075
	$ 51,075

As part of the lease agreements above, FTNRO has been provided below market rent from other Christian ministries. The difference between the rent charged and the fair value of the rent has been recorded as donated rent in the statement of activities as both a revenue and an expense. The value of rent received from other entities recognized in the statement of activities was $2,555 for the year ended August 31, 2017.

10. INTENTIONS TO GIVE:

FTNRO received communications related to the building project where additional contributions would be made subject to meeting certain building progress criteria. Those criteria were not met as of August 31, 2017; accordingly a contribution receivable was not recorded. These criteria were made after August 31, 2017, and an additional $140,000 was received subsequent to August 31, 2017.

11. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through May 18, 2018, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.