

SELAH FREEDOM, INC.

SARASOTA, FLORIDA

FINANCIAL STATEMENTS

DECEMBER 31, 2016

SELAH FREEDOM, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Selah Freedom, Inc.
Sarasota, Florida

We have audited the accompanying financial statements of Selah Freedom, Inc. (the "Organization") (a non-profit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses 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.

To the Board of Directors of
Selah Freedom, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Selah Freedom, Inc. 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.

Saltmarsh Cleveland & Gund

Tampa, Florida
June 2, 2017

SELAH FREEDOM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current Assets:

Cash	\$ 694,114
Grants receivable	31,014
Inventory	1,227
Prepaid expenses and other current assets	30,008
Related party receivable	8,901
Total current assets	765,264

Property and Equipment, net 895,609

Other assets 3,900

Total Assets \$ 1,664,773

LIABILITIES AND NET ASSETS

Current Liabilities:

Current maturities of long-term debt	\$ 14,564
Accounts payable and accrued expenses	59,179
Deferred revenue	6,940
Total current liabilities	80,683

Long-Term Liabilities:

Line of credit	146,780
Long-term debt, less current maturities	232,874
Total long-term liabilities	379,654

Total Liabilities 460,337

Net Assets:

Unrestricted 1,204,436

Total Liabilities and Net Assets \$ 1,664,773

The accompanying notes are an integral
part of these financial statements.

**SELAH FREEDOM, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016**

Changes in Unrestricted Net Assets:

Support and revenues:	
Contributions	\$ 1,375,858
Grants and contracts	514,414
Special events	82,325
Less: Costs of direct benefits to donors	(27,068)
Merchandise sales	83,413
Other income	6,933
Total support and revenues	<u>2,035,875</u>
 Expenses:	
Program services	<u>1,655,483</u>
 Supporting services -	
General and administrative	132,170
Fundraising	54,922
Total supporting services	<u>187,092</u>
 Total expenses	<u>1,842,575</u>
 Change in Net Assets	 193,300
 Net Assets at Beginning of Year	 <u>1,011,136</u>
 Net Assets at End of Year	 <u><u>\$ 1,204,436</u></u>

The accompanying notes are an integral
part of these financial statements.

SELAH FREEDOM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services	General and Administrative	Fundraising	Total
Employee wages	\$ 810,266	\$ 63,021	\$ 27,009	\$ 900,296
Officer wages	134,183	10,436	4,473	149,092
Payroll taxes	71,834	5,587	2,394	79,815
Health and dental insurance	70,943	5,518	2,364	78,825
Client services	76,388	-	-	76,388
Accounting and legal fees	17,944	16,867	1,076	35,887
Advertising and promotion	36,073	2,806	1,202	40,081
Auto and local travel expenses	58,548	1,207	604	60,359
Bank fees	-	7,408	823	8,231
Depreciation	39,773	-	-	39,773
Dues and subscriptions	3,057	7,132	-	10,189
Event expenses	-	-	5,088	5,088
Facilities and equipment	104,442	-	-	104,442
General supplies, training and awareness	21,379	-	-	21,379
Interest, amortization of loan costs	1,563	-	-	1,563
Insurance	7,322	569	244	8,135
Merchandise cost of sales	19,635	-	-	19,635
Other contract services	67,353	2,534	5,978	75,865
Postage and mailing	2,309	180	76	2,565
Printing and copying	7,087	551	236	7,874
Software subscriptions	4,724	525	-	5,249
Supplies and other expenses	7,305	568	244	8,117
Taxes, permits and licenses	662	51	22	735
Telephone and internet	22,230	1,729	741	24,700
Travel and meeting expenses	51,760	4,026	1,725	57,511
Web site hosting and maintenance	1,838	143	61	2,042
Workers compensation insurance	16,865	1,312	562	18,739
	<u>\$ 1,655,483</u>	<u>\$ 132,170</u>	<u>\$ 54,922</u>	<u>\$ 1,842,575</u>

The accompanying notes are an integral
part of these financial statements.

SELAH FREEDOM, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

Cash Flows From Operating Activities:	
Change in net assets	\$ 193,300
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	39,773
Amortization of financing costs	1,563
Contribution of property	(1,000)
Changes in:	
Grants receivable	(3,454)
Inventory	23
Prepaid expenses and other current assets	8,876
Other assets	(3,900)
Accounts payable and accrued expenses	36,696
Deferred revenue	1,470
Net cash provided by operating activities	<u>273,347</u>
 Cash Flows From Investing Activities:	
Purchases of property and equipment	<u>(72,065)</u>
 Cash Flows From Financing Activities:	
Borrowings under line of credit	149,806
Repayment of long-term debt	(12,047)
Financing costs	(3,706)
Net cash provided by financing activities	<u>134,053</u>
 Net Increase in Cash	 335,335
 Cash at Beginning of Year	 <u>358,779</u>
 Cash at End of Year	 <u>\$ 694,114</u>
 Supplemental Disclosures of Cash Flow Information:	
Cash paid during the year for interest	<u>\$ 13,450</u>
 Supplemental Schedule of Noncash Investing and Financing Activities:	
Long-term debt incurred for purchase of property and equipment and related party receivable	<u>\$ 31,590</u>

The accompanying notes are an integral part of these financial statements.

SELAH FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Selah Freedom, Inc. (the "Organization"), is a not-for-profit corporation that confronts the issue of sex trafficking and exploitation through advocacy, training and restorative services. The Organization provides a twelve-month residential program that allows restoration and transition to independent living for victims of sex trafficking; community support groups for victims recovering from sexual abuse and co-dependency; and mentorship for survivors through ongoing counseling, education, career placement and life skills.

Basis of Presentation:

The accompanying financial statements are presented on the accrual basis of accounting. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* are not subject to donor-imposed stipulations, or the donor-imposed restrictions have expired. Unrestricted net assets may be designated for specific purposes by the action of the Board of Directors.
- *Temporarily restricted net assets* are 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. The Organization has no temporarily restricted net assets.
- *Permanently restricted net assets* are subject to donor-imposed stipulations that the assets be maintained permanently by the Organization. The Organization has no permanently restricted net assets.

Use of Estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Contributions:

The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Non-cash contributions are recorded at fair market value at the time of donation.

SELAH FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable:

The Organization bills for program services provided to clients, and the Organization is reimbursed by its various funding sources. None of the grants receivable at December 31, 2016 are deemed to be uncollectible. Therefore, no provision for uncollectible accounts has been made in the accompanying financial statements.

Inventory:

Inventory is stated at the lower of cost (first-in, first-out method) or market and consists primarily of logo merchandise available for sale to the public.

Property and Equipment:

Property and equipment are stated at cost. All acquisitions of property and equipment in excess of \$500 are capitalized. Disbursements for repairs and maintenance are charged to expense. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	5 - 40 years
Furniture and equipment	5 - 10 years
Vehicles	5 years

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Deferred Revenue:

Deferred revenue represents amounts paid for events which have not yet occurred. Income is recognized in the statements of activities upon completion of each event.

SELAH FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financing Costs:

Financing costs are reported as a deduction from the carrying amount of the debt and amortized on a straight-line basis over the term of the related debt. Amortization of financing costs was \$1,563 for the year ended December 31, 2016 and is reported as interest expense. Accumulated amortization was \$2,961 at December 31, 2016.

Income Taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Allocation of Expenses:

Direct costs of providing the Organization's various programs have been reported on a functional basis in the statement of activities. Indirect general and administrative costs have been allocated among the programs, fundraising, and general and administrative expenses based on a systematic methodology made by management.

Advertising Costs:

The Organization expenses all advertising costs as incurred. Advertising expense for the year ended December 31, 2016 was \$40,081.

Recent Accounting Standards:

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), which requires that debt issuance costs be presented as a direct deduction from the carrying amount of the debt rather than as an asset, consistent with debt discounts. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015. There was no impact on the results of operations as a result of the adoption of ASU 2015-03.

Subsequent Events:

Management has evaluated subsequent events through June 2, 2017, which is the date the financial statements were available to be issued.

SELAH FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 166,577
Buildings and improvements	611,330
Furniture and equipment	104,930
Vehicles	82,781
	<u>965,618</u>
Less accumulated depreciation	<u>70,009</u>
Property and equipment, net	<u><u>\$ 895,609</u></u>

Depreciation expense was \$39,773 for the year ended December 31, 2016.

NOTE 3 - LINE OF CREDIT

The Organization has a \$150,000 revolving line of credit with a financial institution. The revolving line of credit has a maturity date of February 2021, accrues interest at prime plus 1.0% (4.75% as of December 31, 2016) and is secured by real property. The balance at December 31, 2016 was 149,806, less unamortized financing costs of \$3,026.

NOTE 4 - LONG-TERM DEBT

Long-term debt is summarized as follows:

Notes payable to bank and finance companies bearing interest up to 6.05%, secured by real property and vehicles, maturities through July 2022	\$ 249,572
Less unamortized financing costs	<u>2,134</u>
Long-term debt, less unamortized financing costs	247,438
Less current maturities	<u>14,564</u>
Long-term debt, less current maturities	<u><u>\$ 232,874</u></u>

SELAH FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 4 - LONG-TERM DEBT (Continued)

Scheduled maturities of long-term debt are as follows:

2017	\$ 14,564
2018	15,222
2019	202,940
2020	7,670
2021	5,692
Thereafter	<u>3,484</u>
	<u>\$ 249,572</u>

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Concentration - Major Funding Sources:

The Organization's funding source base consists of a diverse mix of governmental and other corporate entities. At December 31, 2016, amounts due from two major funding sources comprised 88% of total grants receivable.

Concentration of Credit Risk:

The Company maintains checking and depository accounts with financial institutions which are insured by the Federal Deposit Insurance Corporation up to certain limits. Cash in banks exceeded the federally insured limit by \$48,137 as of December 31, 2016.

Operating Lease:

The Organization has continuing operating leases involving vehicles. Lease expense for the year ended December 31, 2016 totaled \$39,847.

Future minimum lease payments are as follows:

2017	\$ 28,558
2018	<u>20,018</u>
	<u>\$ 48,576</u>

SELAH FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 - COMMITMENTS AND CONTINGENCIES (Continued)

Employment Agreement:

The President of the Organization is employed “at will”. The President or the Organization can terminate employment at any time and for any reason whatsoever, with or without cause or advance notice. However, if the President is terminated for any reason other than for cause or misconduct, she will receive all wages earned through the time of her termination, along with one month’s severance pay for each year she was employed by the Organization, not to exceed twenty-four months. At December 31, 2016, the Organization had no plans to terminate the President.

NOTE 6 - RELATED PARTIES

At December 31, 2016, the Organization had an outstanding receivable due from the Organization’s President in the amount of \$8,901. The receivable is unsecured and was repaid in 2017.