rescue:freedom international

Financial Statements

For the Year Ended December 31, 2015

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Clark Nuber PS

Independent Auditor's Report

Board of Directors
Rescue: Freedom International
Kirkland, Washington

We have audited the accompanying financial statements of Rescue: Freedom International (the Organization), which comprise the statement of assets and net assets - modified cash basis of as of December 31, 2015, and the related statement of revenue, expenses and changes in net assets - modified cash basis, statement of functional expenses - modified cash basis, and statement of cash flows arising from cash transactions 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 the modified cash basis of accounting described in Note 2; this includes determining that the modified 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 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 principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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 above present fairly, in all material respects, the assets and net assets - modified cash basis of the Organization as of December 31, 2015, and its revenue, expenses and its changes in net assets - modified cash basis, functional expenses - modified cash basis, and cash flows arising from cash transactions for the year then ended, in accordance with the modified cash basis of accounting as described in Note 2.

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 financial statements, on the cash basis of accounting, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis of Accounting

The financial statements of the Organization are prepared on the modified cash basis of accounting, which is a 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.

Clark Nuber PS

Certified Public Accountants
April 1, 2016

RESCUE: FREEDOM INTERNATIONAL

Statement of Assets and Net Assets - Modified Cash Basis
December 31, 2015
(With Comparative Totals for 2014)

	2015	2014
Assets:		
Cash and cash equivalents	$ 220,083	$ 597,649
Investments	935,996	
Deposits	2,755	
Total Assets	**$ 1,158,834**	**$ 597,649**
Net Assets:		
Unrestricted	$ 691,917	$ 289,214
Temporarily restricted	266,917	208,435
Permanently restricted	200,000	100,000
Total Net Assets	**$ 1,158,834**	**$ 597,649**

See accompanying notes.

RESCUE: FREEDOM INTERNATIONAL

Statement of Revenue, Expenses and Changes in Net Assets - Modified Cash Basis
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2014 Total
Operating Revenue and Support:					
Contributions	$ 1,075,936	$ 471,418	$ 100,000	$ 1,647,354	$ 1,087,638
Auction sales					7,440
Release of restricted net assets	402,957	(402,957)			
Total Operating Revenue and Support	**1,478,893**	**68,461**	**100,000**	**1,647,354**	**1,095,078**
Expenses:					
Program	870,621			870,621	553,287
Management and general	91,906			91,906	72,671
Fundraising	114,678			114,678	67,613
Total Expenses	**1,077,205**			**1,077,205**	**693,571**
Change in Net Assets From Operations	**401,688**	**68,461**	**100,000**	**570,149**	**401,507**
Return (loss) on investments, net	1,015	(9,979)		(8,964)	
Change in Net Assets	**402,703**	**58,482**	**100,000**	**561,185**	**401,507**
Net assets, beginning of year	289,214	208,435	100,000	597,649	196,142
Net Assets, End of Year	**$ 691,917**	**$ 266,917**	**$ 200,000**	**$ 1,158,834**	**$ 597,649**

See accompanying notes.

RESCUE: FREEDOM INTERNATIONAL

Statement of Functional Expenses - Modified Cash Basis
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015				
	Program	Management and General	Fundraising	Total	2014 Total
Program grants	$ 620,176	$ -	$ -	$ 620,176	$ 415,582
Personnel	156,774	46,014	43,877	246,665	124,731
Operations	27,390	20,558	7,462	55,410	52,173
Events			42,089	42,089	20,391
Facilities and equipment	25,711	9,183	1,837	36,731	1,500
Professional services	15,147	8,293	4,147	27,587	50,025
Staff travel	15,236		5,079	20,315	14,193
Printing, postage and website	3,929	7,858	3,929	15,716	3,284
Site visits	6,258		6,258	12,516	11,692
Total Expenses	**$ 870,621**	**$ 91,906**	**$ 114,678**	**$ 1,077,205**	**$ 693,571**

See accompanying notes.

RESCUE: FREEDOM INTERNATIONAL

Statement of Cash Flows Arising From Cash Transactions
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015	2014
Cash Flows From Operating Activities:		
Change in net assets	$ 561,185	$ 401,507
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Realized and unrealized loss on investments	28,069	
Security deposit paid	(2,755)	
Net Cash Provided by Operating Activities	**586,499**	**401,507**
Cash Flows From Investing Activities:		
Purchase of investments	(1,119,103)	
Sale of investments	155,038	
Net Cash Used by Investing Activities	**(964,065)**	
Change in Cash and Cash Equivalents	**(377,566)**	**401,507**
Cash and cash equivalents, beginning of year	597,649	196,142
Cash and Cash Equivalents, End of Year	**$ 220,083**	**$ 597,649**

See accompanying notes.

Note 1 - Organization

Organization - Human trafficking has grown into the second largest criminal activity in the world reaching an estimated 32 billion dollars in annual activity. Rescue: Freedom International (the Organization) has developed rapidly to combat trafficking. The Organization operates through an international network of partners in order to rescue women and children from slavery, provide holistic aftercare services, and prevent exploitation of the most vulnerable. These partners work together to restore lives broken by sexual slavery through programs such as night shelters, safe houses, medical clinics, vocational training, scholarship programs, and much more. When a survivor enters one of the programs, it changes everything. They receive Education, Health Care, Counseling, and Job Training. Most importantly, they receive the love, acceptance, and support they need to write their own stories and pursue their dreams.

Note 2 - Significant Accounting Policies

Cash Basis of Accounting - The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). The modified cash basis of accounting differs from U.S. GAAP as follows:

- Contributions and sales revenue are recognized when cash is received instead of when the contribution is made or the sale is earned.

- Payments to grantees, vendors and employees are recognized when paid in cash instead of when unconditional grants are committed, or when goods or services are received.

There are no material expense accruals or liabilities that would have been recorded at December 31, 2015 and 2014, if the accompanying financial statements had been prepared in accordance with U.S. GAAP. The Organization has committed to providing support to partner organizations; however, the board can modify the commitments at any time (Note 6). A significant pledge was received subsequent to year end that would have been recognized as revenue and a receivable as of and for the year ended December 31, 2015 (Note 8). There were no pledges outstanding at December 31, 2014.

Basis of Presentation - The financial statements of the Organization are presented in accordance with the modified cash basis of accounting. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or passage of time.

Permanently Restricted Net Assets - Support received in the form of endowment or sustaining funds which can never be spent.

Note 2 - Continued

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

Operating Activities - The statement of revenue, expenses and changes in net assets - modified cash basis includes a measure of change in net assets from operating activities. Changes in net assets that are excluded from operating results consist of the net loss on investments.

Cash and Cash Equivalents - For the purposes of reporting cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents except for those cash equivalents associated with investment accounts and subject to the Organization's investment policy.

Investments - Investments consist primarily of marketable securities carried at fair value based on quoted market prices. Realized and unrealized gains and losses on investments are included on the statement of revenues, expenses and changes in unrestricted net assets - modified cash basis.

Property and Equipment - The Organization generally capitalizes assets with a cost of greater than $5,000 and an estimated useful life of one or more years. There was no capitalized property and equipment at December 31, 2015 and 2014.

Concentration of Credit Risk - Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and investment balances. The Organization has established guidelines relative to diversification of investments that seek to maintain safety and liquidity. The Organization had cash and investment balances in excess of federally insured limits from time to time during the year.

For the years ended December 31, 2015 and 2014, approximately 42% and 57% of contribution revenue was received from a family foundation to invest in specific programs and to underwrite operational expenses.

Special Events - The Organization holds special events during the year. For the year ended December 31, 2015, revenue related to two special events totaled $194,639, and expenses totaled $42,089. For the year ended December 31, 2014, revenue from one special event totaled $101,623, and expenses totaled $20,931. Special event revenue is included in contribution revenue, and the related special event expenses are included in fundraising expense on the statement of revenues, expenses and changes in unrestricted net assets - modified cash basis.

Federal Income Tax - The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income tax has been made in these financial statements.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been allocated based on the benefits derived by program, and management and general, and fundraising activities.

Note 2 - Continued

Use of Estimates - The preparation of financial statements on the modified cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

Prior Year Summarized Information - For comparative purposes, the financial statements include certain prior-year summarized information in total but not by net asset class. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Note 3 - Investments and Fair Value

Fair Value - To increase consistency and comparability in fair value measurements, the Organization uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued based on unobservable inputs. A financial instrument's level within the fair value hierarchy is based upon the lowest priority level of any input that is significant to the fair value measurement.

The Organization's investments consist of money market and mutual funds valued based on the following valuation methods. Valuation techniques are consistently applied.

> Money market funds - Money market funds are valued at quoted cost plus accrued interest, which approximates fair value.
>
> Mutual funds - Mutual funds are valued at quoted market prices in active markets, which represent the net asset value (NAV) of shares held at year-end.

Note 3 - Continued

Fair Values Measured on a Recurring Basis - Investments held by the Organization were all classified as Level 1 and consisted of the following as of December 31, 2015:

		Level 1
Money market funds	$	49,740
Equity mutual funds-		
Large blend		77,741
Balanced mutual funds-		
Small value		10,047
Medium blend		49,249
Bond mutual funds -		
Intermediate term		39,938
Ultra short-term		469,293
Short-term bond		169,376
World bond		70,612
Total Investments at Fair Value at December 31, 2015	**$**	**935,996**

The Organization had no investment accounts as of December 31, 2014.

Investment return consisted of the following for the year ended December 31 2015:

		2015
Dividend, interest, and capital gain distribution income	$	19,105
Net loss on investments		(28,069)
Loss on Investments, Net	**$**	**(8,964)**

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31:

		2015		2014
Human trafficking institute	$	209,683	$	-
Nagpur partner site				105,000
Office project grant		50,850		100,000
Medical fund		3,435		3,435
Front Range for Freedom campaign		2,000		
Site software grant		949		
Total Temporarily Restricted Net Assets	**$**	**266,917**	**$**	**208,435**

Note 4 - Continued

Releases from restrictions totaled $402,957 and $254,394 for program expenditures during the years ended December 31, 2015 and 2014, respectively.

Note 5 - Permanently Restricted Net Assets and Endowment

The Organization's endowment was created in December 2014, and consists of funds restricted by the donor to provide scholarships. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The original value of the gift has been recorded as permanently restricted net assets. Accumulated, unspent earnings associated with the endowment funds will be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

Interpretation of Relevant Law - The Board of Directors of the Organization has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having reviewed its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this determination, the Organization classifies as permanently restricted net assets the original value of gifts to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by PMIFA.

In accordance with PMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

Endowment net assets consist of the following as of December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment fund, December 31, 2015	$ (15,485)	$ -	$ 200,000	$ 184,515
Donor-restricted endowment fund, December 31, 2014	$ -	$ -	$ 100,000	$ 100,000

Note 5 - Continued

Changes to the endowment net assets are as follows for the years ended December 31:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
Endowment net assets, beginning of year	$ -	$ -	$ 100,000	$ 100,000	$ -
Endowment investment return-					
Interest and dividends		9,921		9,921	
Realized and unrealized loss		(19,900)		(19,900)	
Total endowment investment loss		(9,979)		(9,979)	
Contributions to endowment			100,000	100,000	100,000
Appropriation of endowment for expenditure		(5,506)		(5,506)	
Deficit in accumulated endowment earnings	(15,485)	15,485			
Endowment Net Assets, End of Year	**$ (15,485)**	**$ -**	**$ 200,000**	**$ 184,515**	**$ 100,000**

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. Deficiencies totaled $15,485 as of December 31, 2015. There were no deficiencies as of December 31, 2014.

Return Objectives and Risk Parameters - The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results in excess of inflation and as needed for withdrawals and distributions to facilitate organizational objectives and to provide a return that, over the long term, provides sufficient asset to meet the Organization's spending policy.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends) through a diversified investment portfolio.

Spending Policy and How the Investment Objectives Relate to Spending Policy - Up to 5% of the permanently restricted endowment funds may be paid out each year. In establishing this policy, the Organization considered the long-term expected return on its endowment.

Note 6 - Commitments

Facilities Lease - In January 2015 the Organization entered into a lease agreement for office space commencing in February 2015 and expiring in February 2018. Monthly rent under the lease was $2,855 during the year ended December 31, 2015, and increases over the term of the lease to $3,225. Rent expense under this lease totaled was $34,480 for the year ended December 31, 2015.

Future minimum lease payments for the office lease are as follows:

For the Year Ending December 31,		
2016	$	30,930
2017		38,510
2018		6,450
	$	**75,890**

Commitments to Others - The Organization has made commitments to help fund the operations of partner organizations that operate safe homes for victims of human trafficking. As of December 31, 2015, the Organization has committed approximately $22,000 per month to various safe homes for their continued operations. These amounts may be adjusted at the discretion of the Organization's board of directors.

Additionally, as of December 31, 2015, the Organization has committed to a partner to provide a portion of the construction costs, estimated to be $300,000, for building a safe home in Nagpur, India.

Note 7 - Related Party Transactions

Gifts from board members totaled approximately $600,000 and $550,000 for the years ended December 31, 2015 and 2014, respectively.

The Organization makes grants to partner organizations whose boards of directors include members of the Organization's board of directors. Grants to such partner organizations totaled $15,000 and $15,928 for the years ended December 31, 2015 and 2014, respectively. The Organization's board of directors does not control the partner organizations; therefore, the entities are not consolidated for financial reporting purposes.

Note 8 - Subsequent Events

The Organization has evaluated subsequent events through April 1, 2016, the date on which the financial statements were available to be issued.

Subsequent to December 31, 2015, the Organization received a three-year commitment from a foundation for a contribution totaling approximately $286,000. This contribution will be recognized as revenue as paid, in accordance with the modified cash basis of accounting as described in Note 2.