

10 THOUSAND WINDOWS, INC.

Financial Statements

Year Ended August 31, 2018

With Independent Auditors' Report

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Independent Auditors' Report

To the Board of Directors
10 Thousand Windows, Inc.

We have audited the accompanying financial statements of 10 Thousand Windows, Inc. (a California non-profit corporation), which comprise the statements of financial position as of August 31, 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years 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.

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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 10 Thousand Windows, Inc. as of August 31, 2018, 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.

MARRET & COMPANY, PLLC

Knoxville, Tennessee
January 31, 2019

Marret & Company, PLLC

Certified Public Accountants

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10 Thousand Windows, Inc.

Statement of Financial Position

August 31, 2018

ASSETS

Current Assets

| | |
|-----------------------------------|-------------------|
| Cash and cash equivalents | \$ 380,411 |
| Accounts receivable | 3,834 |
| Prepays and other current assets | <u>3,864</u> |
| Total current assets | \$ 388,109 |
| Property and equipment | |
| Furniture and fixtures | \$ 8,549 |
| Office equipment | 38,642 |
| Vehicles | 8,467 |
| Accumulated depreciation | <u>(46,319)</u> |
| Total property and equipment, net | <u>9,339</u> |
| Other assets | |
| Deposits | <u>4,832</u> |
| Total assets | <u>\$ 402,280</u> |

LIABILITIES AND NET ASSETS

Current Liabilities

| | |
|---------------------------------------|-------------------|
| Accounts payable and accrued expenses | \$ <u>17,462</u> |
| Total current liabilities | \$ <u>17,462</u> |
| Net Assets | |
| Unrestricted | 384,818 |
| Temporarily restricted | <u>-</u> |
| Total net assets | <u>384,818</u> |
| Total liabilities and net assets | <u>\$ 402,280</u> |

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

10 Thousand Windows, Inc.
 Statement of Activities
 For the Year Ended August 31, 2018

| | Unrestricted | Temporarily Restricted | Total |
|--|-------------------|---------------------------|-------------------|
| Contributions, Gains, and Other Support | | | |
| Contributions | \$ 480,453 | \$ - | \$ 480,453 |
| Grants and foundations | 185,000 | - | 185,000 |
| Other Income | 1,616 | - | 1,616 |
| Interest Income | 154 | - | 154 |
| Assets released from program restrictions | - | - | - |
| | <u>667,223</u> | <u>-</u> | <u>667,223</u> |
| Total contributions, gains and other support | <u>667,223</u> | <u>-</u> | <u>667,223</u> |
| Expenses | | | |
| Program expenses | 403,221 | - | 403,221 |
| General and administrative | 107,624 | - | 107,624 |
| Fundraising | 56,638 | - | 56,638 |
| | <u>567,483</u> | <u>-</u> | <u>567,483</u> |
| Total expenses | <u>567,483</u> | <u>-</u> | <u>567,483</u> |
| Change in net assets | 99,740 | - | 99,740 |
| Net Assets, beginning of year | <u>285,078</u> | <u>-</u> | <u>285,078</u> |
| Net Assets, end of year | <u>\$ 384,818</u> | <u>\$ -</u> | <u>\$ 384,818</u> |

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

10 Thousand Windows, Inc.
 Statement of Cash Flows
 For the Year Ended August 31, 2018

| | | |
|--|----|----------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ | 99,740 |
| Adjustments to reconcile increase in net assets to | | |
| Net cash flows from operating activities | | 4,458 |
| Depreciation | | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | | 865 |
| Prepays and other current assets | | (2,158) |
| Deposits | | 4,045 |
| Accounts payable and accrued expenses | | <u>(3,190)</u> |
| Net cash flows from operating activities | \$ | 103,760 |
| Cash Flows From Investing Activities | | |
| Purchase of equipment | | <u>(4,088)</u> |
| Net cash flows from investing activities | | (4,088) |
| Cash Flows From Financing Activities | | <u>-</u> |
| Net change in cash | | 99,672 |
| Cash and Cash Equivalents at the Beginning of Year | | <u>280,739</u> |
| Cash and Cash Equivalents at the End of the Year | \$ | <u>380,411</u> |
| Supplemental Disclosure of Cash Flow Information | | |
| Interest paid | \$ | <u>-</u> |
| Income taxes paid | \$ | <u>451</u> |

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

10 Thousand Windows, Inc.

Statement of Functional Expenses
For the Year Ended August 31, 2018

| | <u>Program</u> | <u>General & Administrative</u> | <u>Fundraising</u> | <u>Total</u> |
|----------------------------------|-------------------------|---|------------------------|-------------------------|
| Salaries and related expenses | \$ 247,564 | \$ 44,411 | \$ 21,269 | \$ 313,244 |
| Occupancy | 40,111 | 4,094 | - | 44,205 |
| Outside contractors | 35,847 | - | 5,350 | 41,197 |
| Direct assistance to individuals | 35,047 | - | - | 35,047 |
| Travel | 15,620 | 13,603 | 1,384 | 30,607 |
| Legal and accounting | - | 25,128 | - | 25,128 |
| Special Events | - | - | 19,685 | 19,685 |
| Conferences and meetings | 11,345 | 533 | - | 11,878 |
| Information technology | 5,598 | 4,145 | 1,655 | 11,398 |
| Training | 4,577 | 2,979 | - | 7,556 |
| Office supplies and expenses | 1,228 | 5,155 | 33 | 6,416 |
| Bank charges and fees | 276 | 3,065 | 2,043 | 5,384 |
| Advertising and marketing | 221 | - | 4,750 | 4,971 |
| Depreciation | 2,800 | 1,366 | 292 | 4,458 |
| Telephone | 2,275 | 680 | 177 | 3,132 |
| Other expenses | 594 | 1,669 | - | 2,263 |
| Insurance | 118 | 796 | - | 914 |
| | <hr/> <u>\$ 403,221</u> | <hr/> <u>\$ 107,624</u> | <hr/> <u>\$ 56,638</u> | <hr/> <u>\$ 567,483</u> |

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

10 Thousand Windows, Inc.
Notes to Financial Statements

NOTE 1 – DESCRIPTION OF ORGANIZATION

10 Thousand Windows, Inc. (10KW or the Organization) is an international team of individuals dedicated to a world in which survivors of violence and exploitation in the Philippines live safe, free, and hopeful lives through economic empowerment. The Organization offers economic empowerment services for survivors of violence and exploitation. 10KW is committed to helping survivors of violence and exploitation gain control of their lives.

10KW believes it assists clients best when we honor their experiences, support their strengths, and listen to their voices. 10KW programs are a direct response to listening to the voices of survivors who expressed the need for safe and well-paid work. Prioritizing their rights, their voice, their dreams, and their goals allows the Organization to adapt our programs to survivors' unique needs and ensures 10KW is most effective in helping them achieve a safe future. 10KW is supported through gifts of individuals, institutions, and corporations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Accounting – 10KW prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation – 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 – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future years or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classifications.

Use of Estimates – 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 reflect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, 10KW considers investments readily convertible into cash without significant loss due to penalties or interest, deposits in banks, and certificates of deposit to be cash and cash equivalents. Balances of cash and cash equivalents in financial institutions may at times exceed the government insured limits. Management believes exposure of loss is minimal and any actual loss is unlikely.

Property and Equipment – Property and equipment are recorded at cost at the time of purchase or fair value at the time of donation and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 5-10 years. Depreciation expense for the years ending August 31, 2018 was \$4,458.

Expenditures for maintenance and repairs which neither materially add to the value of the property nor appreciably extend its useful life are expensed when incurred. Expenditures that extend the economic lives or improve the efficiency of equipment and leaseholds are capitalized. Gains or losses from disposition are included in income when realized.

10 Thousand Windows, Inc.
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, (Continued)

Contributed Services – Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Revenue Recognition – The Organization records pledges and contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. Pledges receivable are recognized when the donors make a promise to give to the Organization that is in substance, unconditional. All other donor-restricted pledges are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (i.e. when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as “net assets released from restrictions.”

Allocation of Expenses – 10KW’s expenses are presented on a function basis, showing basic program activities and support services. Expenses are allocated based upon organizational functions or ministries. In certain instances, expenses are allocated between support functions and program services based upon a defined allocation methodology. These financial statements include program activity from Philippines and the financial activity has been converted to U.S. dollars.

Income Taxes – 10KW is exempt from Federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Contributions to the organization are tax deductible within the limitations prescribed by the Code.

10KW has adopted the provisions of the Income Tax topic of the Financial Accounting Standards Board’s Accounting Standards Codification. These standards clarify the accounting for uncertainty in tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As of August 31, 2018, 10KW had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Advertising – Advertising costs are expensed as incurred. Total advertising and marketing expense for the years ended August 31, 2018 was \$4,971.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

When a restriction expires (i.e. when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restriction. There were no restricted net assets as of August 31, 2018.

NOTE 4 – CONCENTRATION OF RISK

Donations from nine donors made up approximately 62% of all revenue and support for the year ended August 31, 2018.

10 Thousand Windows, Inc.
Notes to Financial Statements

NOTE 5 – LEASE COMMITMENTS

The Organization has entered into various one or two-year lease agreements covering the use of office space and a satellite office expiring in 2019. An escalation clause of five percent becomes effective at year two for one of the lease agreements.

Future minimum lease payments under the existing non-cancelable operating leases are as follows:

Years ending August 31:

| | |
|------|------------------|
| 2019 | <u>\$ 29,830</u> |
|------|------------------|

Rental expense was \$30,549 for the period through August 31, 2018.

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, receivables and payables approximate fair value due to the short-term maturities of these financial instruments.

NOTE 7 – SUBSEQUENT EVENTS

The management of 10KW has evaluated the activity of the organization through January 31, 2019 and has concluded that no events have occurred after August 31, 2018, that would require recognition or disclosure in the financial statements.