

HOPE FOR JUSTICE, INC.

FINANCIAL STATEMENTS

March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hope for Justice, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Hope for Justice, Inc., which comprise the statement of financial position as of March 31, 2020, 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.

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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

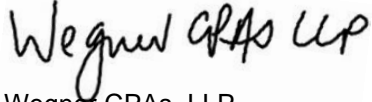
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope for Justice, Inc. as of March 31, 2020, 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.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, Hope for Justice, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of April 1, 2020. Our opinion is not modified with respect to this matter.



Wegner CPAs, LLP
Alexandria, Virginia
August 25, 2020

HOPE FOR JUSTICE, INC.
STATEMENT OF FINANCIAL POSITION
March 31, 2020

ASSETS	
Cash	\$ 807,797
Other assets	24,806
Equipment, net	<u>51,176</u>
Total assets	<u>\$ 883,779</u>
LIABILITIES	
Accounts payable	\$ 2,814
Accounts payable, related-parties	<u>208,585</u>
Total liabilities	211,399
NET ASSETS	
Without donor restrictions	608,070
With donor restrictions	<u>64,310</u>
Total net assets	<u>672,380</u>
Total liabilities and net assets	<u>\$ 883,779</u>

See accompanying notes.

HOPE FOR JUSTICE, INC.
STATEMENT OF ACTIVITIES
Year Ended March 30, 2020

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

REVENUES

Contributions	\$ 1,829,985
Other income	4,672
	1,834,657

Total revenues without donor restrictions	1,834,657
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EXPENSES

Program services	1,397,674
Management and general	287,773
Fundraising	279,887
	1,965,334

Total expenses	1,965,334
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NET ASSETS RELEASED FROM RESTRICTIONS

Satisfaction of purpose restrictions	99,040
	99,040

Change in net assets without donor restrictions	(31,637)
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CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS

Contributions	71,750
Net assets released from restrictions	(99,040)
	(27,290)

Change in net assets with donor restrictions	(27,290)
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Change in net assets	(58,927)
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Net assets at beginning of year	731,306
	731,306

Net assets at end of year	\$ 672,379
	672,379

See accompanying notes.

HOPE FOR JUSTICE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 30, 2020

	Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 751,899	\$ 3,862	\$ 88,189	\$ 843,950
Professional services	118,572	273,119	67,907	459,598
Victim support	223,575	-	-	223,575
Occupancy	189,513	2,415	-	191,928
Event supplies and rentals	-	-	75,139	75,139
Travel	23,175	123	18,892	42,190
Office supplies	13,233	17	11,431	24,681
Repairs and maintenance	16,101	-	11	16,112
Employee benefits	8,333	1,210	2,242	11,785
Telephone	16,826	-	-	16,826
Depreciation	15,984	2,132	3,197	21,313
Other	13,011	1,208	2,304	16,523
Conferences and training	2,295	-	-	2,295
Meals and entertainment	4,375	-	295	4,670
Advertising and promotion	782	-	10,280	11,062
Service charges	-	3,687	-	3,687
Total expenses	\$ 1,397,674	\$ 287,773	\$ 279,887	\$ 1,965,334

See accompanying notes.

HOPE FOR JUSTICE, INC.
STATEMENT OF CASH FLOWS
Year Ended March 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (58,927)
Adjustments to reconcile change in net assets to change in cash from operating activities	
Depreciation	21,313
Increase in assets	
Other assets	(2,514)
Increase (decrease) in liabilities	
Accounts payable	(31,161)
Accounts payable, related-parties	<u>104,834</u>
Net cash flows from operating activities	33,545

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of equipment	<u>(13,890)</u>
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Change in cash 19,655

Cash at beginning of year 788,141

Cash at end of year \$ 807,796

See accompanying notes.

HOPE FOR JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hope for Justice, Inc. (Organization) was established to support short-term and long-term rehabilitative centers in the United States and Cambodia. These centers are designed to specifically aid human trafficking victims and will provide shelter, education, counseling and case management services.

Equipment

Equipment is recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions depending on the existence of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, professional services, occupancy, travel, office supplies, repairs and maintenance, employee benefits, depreciation, and other expenses, which are allocated on the basis of estimates of time and effort.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

HOPE FOR JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Guidance

On June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as an exchange transaction or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Organization adopted the requirements of the ASU as of April 1, 2020. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of April 1, 2020, or entered into after that date.

Date of Management's Review

Management has evaluated subsequent events through August 25, 2020, the date which the financial statements were available to be issued.

NOTE 2—CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances at two financial institutions. One is located in the United States while the second is located in Cambodia. The balance held in the United States is insured by the Federal Deposit Insurance Corporation up to \$250,000. The cash balances maintained at the bank in Cambodia are not insured. At March 31, 2020, the Organization's uninsured cash balance totaled approximately \$718,000.

NOTE 3—EQUIPMENT

Equipment consists of the following:

Vehicles	\$ 59,499
Furniture and fixtures	24,436
Computers and office equipment	<u>42,510</u>
Equipment	126,445
Accumulated depreciation	<u>(75,269)</u>
Equipment, net	<u><u>\$ 51,176</u></u>

NOTE 4—RELATED PARTY TRANSACTIONS

The Organization is affiliated with non-profit organizations named Hope for Justice United Kingdom, Hope for Justice Norway, and Retrak. These separate legal entities share a similar mission and purpose. Additionally, certain board members of the Organization are also members of its affiliated organizations.

HOPE FOR JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 4—RELATED PARTY TRANSACTIONS (continued)

Amounts paid to Hope for Justice United Kingdom during the year ended March 31, 2020 totaled \$356,353 for managerial and business services. Amounts due to Hope for Justice United Kingdom at March 31, 2020 are \$118,205.

Amounts due to Hope for Justice Norway at March 31, 2020 are \$78,074, which is comprised of contributions received for Hope for Justice Norway through US-based giving platforms.

Amounts due to Retrak at March 31, 2020 are \$12,306, which is comprised of contributions received for Retrak through US-based giving platforms and expenses incurred by the Organization that were paid by Retrak.

NOTE 5—NET ASSETS

Net assets with donor restrictions are restricted for the following purposes:

Youth training	\$ 542
US Hub Investigator Appeal	63,518
Ethiopia Street Out	<u>250</u>
Net assets with donor restrictions	<u><u>\$ 64,310</u></u>

NOTE 6—OPERATING LEASES

The Organization leases office space under a non-cancellable operating lease expiring July 31, 2022. Additionally, the Organization leases space for program use under non-cancellable operating leases expiring at various times through September 2021. Total rent expense for the year ended March 31, 2020 related to these leases was \$120,789. Future minimum lease payments are as follows:

2021	\$ 101,858
2022	50,679
2023	<u>13,402</u>
	<u><u>\$ 165,939</u></u>

NOTE 7—LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure comprise of the following:

Financial assets at year-end:	
Cash	\$ 807,797
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with purpose restrictions	<u>(64,310)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 743,487</u></u>

HOPE FOR JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2020

NOTE 7—LIQUIDITY AND AVAILABILITY (continued)

For the purpose of analyzing resources available to meet general expenditures over the next 12-month period, the Organization considers all expenditures related to its ongoing activities issued to programs as well as the general expenditures that support the programs. The Organization regularly monitors liquidity required to meet its general operating needs and other contractual commitments.

NOTE 8—SUBSEQUENT EVENTS

The Organization's operations may be affected by the recent and ongoing COVID-19 outbreak that was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption and effect on the Organization is uncertain; however, it may result in a material adverse impact on the Organization's financial position, activities, and cash flows. Possible effects may include, but are not limited to, disruption to the Organization's donors and revenues, and absenteeism in the Organization's workforce. The Organization received a Paycheck Protection Program loan in the amount of \$81,115 to help mitigate the adverse effects.