

HOPE FOR JUSTICE, INC.

FINANCIAL STATEMENTS

March 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of Hope for Justice, Inc., which comprise the consolidated statements of financial position as of March 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hope for Justice, Inc. as of March 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hope for Justice, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hope for Justice, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hope for Justice, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hope for Justice, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
February 15, 2023

HOPE FOR JUSTICE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 March 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 1,161,118	\$ 1,193,209
Accounts receivable, related-parties	-	328,307
Other assets	57,837	17,093
Equipment, net	<u>28,522</u>	<u>39,419</u>
Total assets	<u><u>\$ 1,247,477</u></u>	<u><u>\$ 1,578,028</u></u>
LIABILITIES		
Accounts payable	\$ 13,833	\$ 3,642
Accounts payable, related-parties	111,853	199,151
Deferred revenue	<u>7,330</u>	<u>-</u>
Total liabilities	133,016	202,793
NET ASSETS		
Without donor restrictions	835,916	1,279,216
With donor restrictions	<u>278,545</u>	<u>96,019</u>
Total net assets	<u>1,114,461</u>	<u>1,375,235</u>
Total liabilities and net assets	<u><u>\$ 1,247,477</u></u>	<u><u>\$ 1,578,028</u></u>

See accompanying notes.

HOPE FOR JUSTICE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended March 31, 2022 and 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Contributions	\$ 3,761,425	\$ 3,580,203
Technical service fees	18,750	-
Other income	3,722	4,509
Total revenues without donor restrictions	3,783,897	3,584,712
EXPENSES		
Program services	2,485,373	2,222,907
Management and general	716,981	370,409
Fundraising	1,040,426	321,041
Total expenses	4,242,780	2,914,357
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	15,583	791
Change in net assets without donor restrictions	(443,300)	671,146
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	198,109	32,500
Net assets released from restrictions	(15,583)	(791)
Change in net assets with donor restrictions	182,526	31,709
Change in net assets	(260,774)	702,855
Net assets at beginning of year	1,375,235	672,380
Net assets at end of year	\$ 1,114,461	\$ 1,375,235

See accompanying notes.

HOPE FOR JUSTICE, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended March 31, 2022 and 2021

<u>2022</u>	Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 797,318	\$ 224,686	\$ 562,022	\$ 1,584,026
Professional services	606,765	320,283	311,461	1,238,509
Victim support	713,530	-	-	713,530
Occupancy	99,240	43,915	2,491	145,646
Event supplies and rentals	1,389	-	48,665	50,054
Travel	27,743	12,438	26,855	67,036
Office supplies	6,491	15,552	23,930	45,973
Repairs and maintenance	56,644	12,802	223	69,669
Employee benefits	53,154	14,979	37,468	105,601
Telephone	7,970	2,246	5,618	15,834
Depreciation	8,066	2,273	5,685	16,024
Other	245	6,928	6,177	13,350
Conferences and training	106,818	11,681	3,409	121,908
Advertising and promotion	-	-	6,422	6,422
Service charges	-	49,198	-	49,198
Total expenses	\$ 2,485,373	\$ 716,981	\$ 1,040,426	\$ 4,242,780
<u>2021</u>	Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 793,652	\$ 39,123	\$ 144,441	\$ 977,216
Professional services	131,972	283,450	67,069	482,491
Victim support	1,063,395	-	-	1,063,395
Occupancy	126,125	-	436	126,561
Event supplies and rentals	1,143	-	48,903	50,046
Travel	18,510	-	31,575	50,085
Office supplies	6,447	24	15,972	22,443
Repairs and maintenance	15,016	9	336	15,361
Employee benefits	26,814	136	2,385	29,335
Telephone	13,588	-	196	13,784
Depreciation	15,381	2,051	3,076	20,508
Other	2,135	4,706	427	7,268
Conferences and training	3,897	15	6,225	10,137
Advertising and promotion	4,832	-	-	4,832
Service charges	-	40,895	-	40,895
Total expenses	\$ 2,222,907	\$ 370,409	\$ 321,041	\$ 2,914,357

See accompanying notes.

HOPE FOR JUSTICE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (260,774)	\$ 702,855
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	16,024	20,508
(Increase) decrease in assets		
Accounts receivable, related-parties	328,307	(328,307)
Other assets	(40,744)	7,713
Increase (decrease) in liabilities		
Accounts payable	10,191	828
Accounts payable, related-parties	(87,298)	(9,434)
Deferred revenue	7,330	-
	(26,964)	394,163
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(5,127)	(8,751)
Change in cash	(32,091)	385,412
Cash at beginning of year	1,193,209	807,797
Cash at end of year	\$ 1,161,118	\$ 1,193,209

See accompanying notes.

HOPE FOR JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hope for Justice, Inc. (HFJ) 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. HFJ is primarily supported by contributions.

Slave Free Alliance was established to support organizations in working towards slave-free operations and supply chains.

Principles of Consolidation

The financial statements include the accounts of the HFJ and Slave Free Alliance. Slave Free Alliance is a wholly owned subsidiary of HFJ. All material intra-entity transactions have been eliminated.

Accounts Receivable

Accounts receivable represent amounts due from related-parties. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of March 31, 2022 and 2021, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Equipment

Equipment is recorded at cost or, if donated, at fair value at the time of the donation. 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 that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Income Tax Status

HFJ 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 HFJ's tax-exempt purpose is subject to taxation as unrelated business income. Slave Free Alliance is taxed as a corporation for federal and state income tax purposes.

HOPE FOR JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Date of Management’s Review

Management has evaluated subsequent events through February 15, 2023, the date which the financial statements were available to be issued.

NOTE 2—CONCENTRATIONS OF CREDIT RISK

HFJ 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. At times during the year, HFJ’s cash balances exceed the FDIC Insurance amount. Management believes the risk in these situations to be minimal.

NOTE 3—EQUIPMENT

Equipment consists of the following:

	2022	2021
Vehicles	\$ 59,499	\$ 59,499
Furniture and fixtures	24,436	24,436
Computers and office equipment	56,388	51,261
Equipment	140,323	135,196
Accumulated depreciation	(111,801)	(95,777)
Equipment, net	\$ 28,522	\$ 39,419

HOPE FOR JUSTICE, INC.
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NOTE 4—RELATED PARTY TRANSACTIONS

HFJ is affiliated with non-profit organizations named Hope for Justice UK, Hope for Justice Norway, Retrak, Hope for Justice Australia, Lily Pad Haven, and Break the Cycle. These separate legal entities share a similar mission and purpose. Additionally, certain board members of HFJ are also members of its affiliated organizations.

Hope for Justice UK provides managerial and business services for HFJ. HFJ and Hope for Justice UK also provide contributions to one another on a case-by-case basis. Transactions between HFJ and Hope for Justice UK for the years ended March 31 are as follows:

	2022	2021
Managerial and business services provided	\$ 818,869	\$ 406,743
Contributions awarded to HFJ	-	462,477
Contributions awarded to Hope for Justice UK	-	11,250

Amounts due to Hope for Justice UK at March 31, 2022 are \$2,690. Amounts due from Hope for Justice UK at March 31, 2021 are \$328,307.

HFJ receives contributions for Hope for Justice Norway through US-based giving platforms. During the years ended March 31, 2022 and 2021, these contributions totaled \$3,130 and \$11,284, respectively. Amounts due to Hope for Justice Norway at March 31, 2022 and 2021 are \$3,337 and \$208, respectively.

HFJ receives contributions for Retrak through US-based giving platforms. During the years ended March 31, 2022 and 2021, these contributions totaled \$10,780 and \$12,399, respectively. During the years ended March 31, 2022 and 2021, HFJ provided a grant to Retrak and paid a total of \$495,598 and \$891,993, respectively. Amounts due to Retrak at March 31, 2022 and 2021 are \$105,150 and \$198,267, respectively.

HFJ receives contributions for Hope for Justice Australia through US-based giving platforms. During the year ended March 31, 2021, these contributions totaled \$676. Amounts due to Hope for Justice Australia at March 31, 2021 are \$676.

HFJ receives contributions for Lily Pad Haven and Break the Cycle through US-based giving platforms. HFJ also pays various operating expenses for the organizations. Transactions between HFJ and Lily Pad Haven and Break the Cycle for the years ended March 31 are as follows:

	2022	2021
Contributions collected for Lily Pad Haven	\$ 126,077	\$ -
Expenses paid for Lily Pad Haven	261,085	-
Grant awarded from Lily Pad Haven	158,103	-
Contributions collected for Break the Cycle	\$ 383,104	\$ -
Expenses paid for Break the Cycle	197,764	-
Grant awarded to Break the Cycle	172,396	-

HOPE FOR JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and 2021

NOTE 5—NET ASSETS

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

	2022	2021
Youth training	\$ 150,000	\$ -
US hub investigations	63,519	64,519
Sweetie project	3,109	-
North Carolina programming	20,417	-
Africa programming	21,000	21,000
Colorado hub	20,500	10,500
Net assets with donor restrictions	\$ 278,545	\$ 96,019

NOTE 6—PAYCHECK PROTECTION PROGRAM LOAN

On May 28, 2020, HFJ received a \$81,115 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). On June 10, 2021, HFJ received forgiveness of the loan which is included in contributions on the statements of activities. HFJ must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review HFJ's good-faith certification concerning the necessity of its loan request, whether HFJ calculated the loan amount correctly, whether HFJ used loan proceeds for the allowable uses specified in the CARES Act, and whether HFJ is entitled to loan forgiveness in the amount claimed on its application. If SBA determines HFJ was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 7—OPERATING LEASES

HFJ leased an office space under a non-cancellable operating lease which required monthly payments of \$3,350 and expired July 31, 2022. This lease was not renewed upon termination. Additionally, HFJ leases space for program use in Cambodia under non-cancellable operating leases requiring monthly payments ranging from \$250 to \$3,750 expiring at various times through March 1, 2027. Total rent expense for the years ended March 31, 2022 and 2021 related to these leases was \$114,312 and \$127,975, respectively. Future minimum lease payments for the years ended March 31 are as follows:

2023	\$ 76,002
2024	61,600
2025	60,600
2026	60,600
2027	39,250
	\$ 298,052

HOPE FOR JUSTICE, INC.
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NOTE 8—LIQUIDITY AND AVAILABILITY

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

Financial assets available for general expenditures are comprised of the following:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash	\$ 1,161,118	\$ 1,193,209
Accounts receivable, related-parties	<u>-</u>	<u>328,307</u>
Total financial assets at year-end	1,161,118	1,521,516
Less those unavailable for general expenditures within one year:		
Restricted by donor with purpose restrictions	<u>(278,545)</u>	<u>(96,019)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 882,573</u>	<u>\$ 1,097,190</u>