

HOPE FOR JUSTICE, INC.

FINANCIAL STATEMENTS

March 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Hope for Justice, Inc., which comprise the consolidated statements of financial position as of March 31, 2023 and 2022, 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, 2023 and 2022, 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.

Substantial Doubt About the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that Hope for Justice, Inc. will continue as a going concern. As discussed in Note 11 to the financial statements, Hope for Justice, Inc. does not have sufficient financial assets to cover current obligations as they become due and there was a net deficit without donor restrictions of \$332,785 at March 31, 2023. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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
January 19, 2024

HOPE FOR JUSTICE, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
 March 31, 2023 and 2022

	2023	2022
ASSETS		
Cash	\$ 137,165	\$ 1,161,118
Accounts receivable, related-parties	212,393	-
Unconditional promises to give	1,207,729	-
Other assets	77,902	57,837
Equipment, net	25,609	28,522
Total assets	\$ 1,660,798	\$ 1,247,477
LIABILITIES		
Accounts payable	\$ 136,624	\$ 13,833
Accounts payable, related-parties	271,944	111,853
Deferred revenue	-	7,330
Total liabilities	408,568	133,016
NET ASSETS		
Without donor restrictions	(332,785)	835,916
With donor restrictions	1,585,015	278,545
Total net assets	1,252,230	1,114,461
Total liabilities and net assets	\$ 1,660,798	\$ 1,247,477

See accompanying notes.

HOPE FOR JUSTICE, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended March 31, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Contributions	\$ 3,946,779	\$ 3,761,425
Technical service fees	92,165	18,750
Other income	70	3,722
	<u>4,039,014</u>	<u>3,783,897</u>
Total revenues without donor restrictions		
EXPENSES		
Program services	1,864,417	2,485,373
Management and general	1,951,076	716,981
Fundraising	1,593,481	1,040,426
	<u>5,408,974</u>	<u>4,242,780</u>
Total expenses		
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	201,259	15,583
	<u>201,259</u>	<u>15,583</u>
Change in net assets without donor restrictions	(1,168,701)	(443,300)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,507,729	198,109
Net assets released from restrictions	(201,259)	(15,583)
	<u>1,306,470</u>	<u>182,526</u>
Change in net assets with donor restrictions		
Change in net assets	137,769	(260,774)
Net assets at beginning of year	<u>1,114,461</u>	<u>1,375,235</u>
Net assets at end of year	<u>\$ 1,252,230</u>	<u>\$ 1,114,461</u>

See accompanying notes.

HOPE FOR JUSTICE, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended March 31, 2023 and 2022

<u>2023</u>	Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 864,864	\$ 676,953	\$ 821,846	\$ 2,363,663
Professional services	101,119	1,063,428	113,700	1,278,247
Victim support	602,803	-	-	602,803
Occupancy	69,683	47,431	-	117,114
Event supplies and rentals	-	-	475,011	475,011
Travel	72,223	7,881	59,678	139,782
Office supplies	10,239	12,473	26,514	49,226
Repairs and maintenance	26,539	1,697	1,752	29,988
Employee benefits	60,246	47,156	57,248	164,650
Telephone	4,897	3,833	4,654	13,384
Depreciation	5,308	4,154	5,044	14,506
Other	1,052	26,840	26,523	54,415
Conferences and training	45,444	6,541	1,278	53,263
Advertising and promotion	-	-	233	233
Service charges	-	52,689	-	52,689
Total expenses	\$ 1,864,417	\$ 1,951,076	\$ 1,593,481	\$ 5,408,974
<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

See accompanying notes.

HOPE FOR JUSTICE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 137,769	\$ (260,774)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	14,506	16,024
(Increase) decrease in assets		
Accounts receivable, related-parties	(212,393)	328,307
Unconditional promises to give	(1,207,729)	-
Other assets	(20,065)	(40,744)
Increase (decrease) in liabilities		
Accounts payable	122,791	10,191
Accounts payable, related-parties	160,091	(87,298)
Deferred revenue	(7,330)	7,330
Net cash flows from operating activities	<u>(1,012,360)</u>	<u>(26,964)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	<u>(11,593)</u>	<u>(5,127)</u>
Change in cash	<u>(1,023,953)</u>	<u>(32,091)</u>
Cash at beginning of year	<u>1,161,118</u>	<u>1,193,209</u>
Cash at end of year	<u><u>\$ 137,165</u></u>	<u><u>\$ 1,161,118</u></u>

See accompanying notes.

HOPE FOR JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2023 and 2022

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, 2023 and 2022, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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.

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, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated statements of activities as net assets released from restrictions.

Revenue Recognition

HFJ provides consulting and training services to companies to help respond to modern slavery risks. Services are provided through short-term contracts and revenue from these contracts is recognized when HFJ provides the particular service. Payments received in advance are deferred and recognized as revenue when the service is provided.

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 January 19, 2024, 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.

HOPE FOR JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
 March 31, 2023 and 2022

NOTE 3— UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows at March 31, 2023:

Receivable in less than one year	\$	935,000
Receivable in one to five years		300,000
Total unconditional promises to give		1,235,000
Less discount to present value at 10%		(27,271)
Unconditional promises to give		\$ 1,207,729

NOTE 4—EQUIPMENT

Equipment consists of the following:

	2023	2022
Vehicles	\$ 59,499	\$ 59,499
Furniture and fixtures	24,436	24,436
Computers and office equipment	75,747	56,388
Equipment	159,682	140,323
Accumulated depreciation	(134,073)	(111,801)
Equipment, net	\$ 25,609	\$ 28,522

NOTE 5—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 board members of its affiliated organizations.

Hope for Justice UK provides managerial and business services for HFJ which totaled \$904,822 and \$818,869 for the years ended March 31, 2023 and 2022, respectively. HFJ also awarded a \$75,000 grant to Hope for Justice UK during the year ended March 31, 2023. Amounts due from Hope for Justice UK at March 31, 2023 are \$212,393 and amounts due to Hope for Justice UK at March 31, 2022 are \$2,690.

HFJ receives contributions for Hope for Justice Norway through US-based giving platforms. During the years ended March 31, 2023 and 2022, these contributions totaled \$0 and \$3,130, respectively. Amounts due to Hope for Justice Norway at March 31, 2023 and 2022 are \$5,707 and \$3,337, respectively.

HFJ receives contributions for Retrak through US-based giving platforms. During the years ended March 31, 2023 and 2022, these contributions totaled \$0 and \$10,780, respectively. During the years ended March 31, 2023 and 2022, HFJ provided a grant to Retrak in the amount of \$420,654 and \$495,598, respectively. Amounts due to Retrak at March 31, 2023 and 2022 are \$265,561 and \$105,150, respectively.

HOPE FOR JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
 March 31, 2023 and 2022

NOTE 5—RELATED-PARTY TRANSACTIONS (continued)

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:

	<u>2023</u>	<u>2022</u>
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

NOTE 6—NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Youth training	\$ -	\$ 150,000
US hub investigations	63,519	63,519
Sweetie project	3,109	3,109
North Carolina programming	841,887	20,417
Africa programming	21,000	21,000
Colorado hub	20,500	20,500
Subsequent year operations	635,000	-
Net assets with donor restrictions	<u>\$ 1,585,015</u>	<u>\$ 278,545</u>

NOTE 7—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. 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.

HOPE FOR JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
 March 31, 2023 and 2022

NOTE 8—LEASES

HFJ leased an office space under a non-cancellable operating lease which 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 expiring at various times through March 1, 2027. These leases were terminated in June 2023 when HFJ ceased its Cambodia operations. Total rent expense for the years ended March 31, 2023 and 2022 related to these leases was \$87,459 and \$114,312, respectively.

NOTE 9—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>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash	\$ 137,165	\$ 1,161,118
Accounts receivable, related-parties	212,393	-
Unconditional promises to give	<u>1,207,729</u>	<u>-</u>
Total financial assets at year-end	1,557,287	1,161,118
Less those unavailable for general expenditures within one year:		
Restricted by donor with purpose restrictions	<u>(950,015)</u>	<u>(278,545)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ (812,850)</u>	<u>\$ 882,573</u>

NOTE 10—CONTINGENT LIABILITY

During the year ended March 31, 2023, HFJ changed payroll providers. During the transition, withholding payroll taxes were not remitted to the Internal Revenue Service (IRS) for two pay periods and IRS Form 941, Employer's Quarterly Federal Tax Return form was incorrectly filed for the last quarter of 2022 and first quarter of 2023. Subsequent to year-end, HFJ submitted amended 941 forms and remitted the payroll taxes, however, additional penalties and interest may be incurred which has not been recorded in the financial statements as the amount cannot reasonably be estimated.

NOTE 11—GOING CONCERN

As indicated in the accompanying financial statements, HFJ experienced a decrease in cash of approximately \$1,000,000 for the year ended March 31, 2023. The balance of cash at March 31, 2023 is insufficient to satisfy current liabilities. Additionally, there is a deficit in net assets without donor restrictions at March 31, 2023 of \$332,785. Those factors create substantial doubt about HFJ's ability to continue as a going concern for the year following the date the financial statements are available to be issued.

HOPE FOR JUSTICE, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2023 and 2022

NOTE 11—GOING CONCERN (continued)

Management has evaluated these conditions and will try to obtain other sources of support and revenue and reduce expenses to help alleviate this uncertainty. As a result, management has approved plans to seek additional sources of support and revenue through solicitation of individuals, foundations, additional grant funding as well as cut expenses by approximately \$400,000 in fiscal year 2025.

The financial statements do not include any adjustments that might be necessary if HFJ is unable to continue as a going concern.

NOTE 12—SUBSEQUENT EVENT

Effective April 2023, HFJ entered into a 38-month operating lease agreement for office space. The total obligation under the lease agreement is approximately \$119,000.