

Hope for Justice, Inc.

**Financial Statements
March 31, 2018 and 2017, and
Independent Auditors' Report**

HOPE FOR JUSTICE, INC.

March 31, 2018 and 2017

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Hope for Justice, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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, 2018 and 2017, 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.



October 24, 2018
Cincinnati, Ohio

HOPE FOR JUSTICE, INC.

**Statements of Financial Position
March 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 590,479	\$ 195,064
Property and equipment, net	36,208	45,834
Other assets	<u>26,049</u>	<u>24,331</u>
Total assets	<u><u>\$ 652,736</u></u>	<u><u>\$ 265,229</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 141,392	\$ 61,688
Net Assets		
Unrestricted	396,208	52,117
Temporarily restricted	<u>115,136</u>	<u>151,424</u>
Total net assets	<u><u>511,344</u></u>	<u><u>203,541</u></u>
Total liabilities and net assets	<u><u>\$ 652,736</u></u>	<u><u>\$ 265,229</u></u>

See accompanying notes to financial statements

HOPE FOR JUSTICE, INC.

Statements of Activities Years Ended March 31, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and other support						
Contributions	\$ 949,123	\$ 602,735	\$ 1,551,858	\$ 496,826	\$ 826,963	\$ 1,323,789
Donated services	183,860	-	183,860	164,726	-	164,726
Other Income	135	-	135	143	-	143
Net assets released from restrictions	639,023	(639,023)	-	733,174	(733,174)	-
Total revenues and other support	1,772,141	(36,288)	1,735,853	1,394,869	93,789	1,488,658
Expenses						
Program	1,183,838	-	1,183,838	1,207,042	-	1,207,042
Administrative	81,393	-	81,393	65,199	-	65,199
Fundraising	162,819	-	162,819	191,737	-	191,737
Total expenses	1,428,050	-	1,428,050	1,463,978	-	1,463,978
Change in net assets	344,091	(36,288)	307,803	(69,109)	93,789	24,680
Net assets, beginning of year	52,117	151,424	203,541	121,226	57,635	178,861
Net assets, end of year	<u>\$ 396,208</u>	<u>\$ 115,136</u>	<u>\$ 511,344</u>	<u>\$ 52,117</u>	<u>\$ 151,424</u>	<u>\$ 203,541</u>

See accompanying notes to financial statements

HOPE FOR JUSTICE, INC.

Statement of Functional Expenses Year Ended March 31, 2018

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total expenses</u>
Salaries and wages	\$ 620,565	\$ 20,553	\$ 35,010	\$ 676,128
Victim and artist tour support	192,867	43	264	193,174
Donated services	84,576	29,418	69,867	183,861
Occupancy	106,392	7,654	7,654	121,700
Professional services	58,910	17,017	31,376	107,303
Travel	26,587	299	3,496	30,382
Repairs and maintenance	21,345	1,365	1,002	23,712
Telephone	19,333	733	733	20,799
Employee benefits	15,217	306	859	16,382
Office expenses	11,063	598	2,328	13,989
Depreciation	9,982	1,848	1,996	13,826
Meals and entertainment	8,758	36	63	8,857
Special events	-	-	7,127	7,127
Other	2,095	-	713	2,808
Service charges	976	1,523	306	2,805
Advertising and promotion	2,719	-	-	2,719
Conferences and training	2,453	-	25	2,478
	<u>\$ 1,183,838</u>	<u>\$ 81,393</u>	<u>\$ 162,819</u>	<u>\$ 1,428,050</u>
Total expenses	<u>\$ 1,183,838</u>	<u>\$ 81,393</u>	<u>\$ 162,819</u>	<u>\$ 1,428,050</u>

See accompanying notes to financial statements

HOPE FOR JUSTICE, INC.

Statement of Functional Expenses Year Ended March 31, 2017

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total expenses</u>
Salaries and wages	\$ 656,974	\$ 20,024	\$ 59,088	\$ 736,086
Victim and artist tour support	211,657	-	1,203	212,860
Donated services	68,433	24,676	71,617	164,726
Occupancy	110,093	7,510	7,593	125,196
Professional services	23,984	5,502	5,262	34,748
Travel	27,776	453	17,029	45,258
Repairs and maintenance	12,563	754	63	13,380
Telephone	18,840	385	385	19,610
Employee benefits	21,174	-	118	21,292
Office expenses	9,458	1,932	2,431	13,821
Depreciation	8,319	1,510	1,707	11,536
Meals and entertainment	4,269	281	258	4,808
Special events	100	-	22,722	22,822
Other	29,850	-	671	30,521
Service charges	848	2,004	218	3,070
Advertising and promotion	2,325	168	28	2,521
Conferences and training	379	-	1,344	1,723
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,207,042</u>	<u>\$ 65,199</u>	<u>\$ 191,737</u>	<u>\$ 1,463,978</u>

See accompanying notes to financial statements

HOPE FOR JUSTICE, INC.

Statements of Cash Flows Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 307,803	\$ 24,680
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	13,826	11,536
Changes in:		
Other assets	(3,204)	(984)
Accounts payable and accrued expenses	<u>79,704</u>	<u>(4,953)</u>
Net cash provided by operating activities	<u>398,129</u>	<u>30,279</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(2,714)</u>	<u>(34,905)</u>
Net change in cash	395,415	(4,626)
Cash, beginning of year	<u>195,064</u>	<u>199,690</u>
Cash, end of year	<u><u>\$ 590,479</u></u>	<u><u>\$ 195,064</u></u>

See accompanying notes to financial statements

HOPE FOR JUSTICE, INC.

Notes to Financial Statements

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Hope for Justice, Inc. (the 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.

Reporting Entity

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

These financial statements include only the functions and activities of the Organization. They do not include the financial activities of its affiliated organizations.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restriction; temporarily restricted net assets which have donor-imposed restrictions that will expire in the future; and permanently restricted net assets which have donor-imposed restrictions which do not expire. There were no permanently restricted net assets at March 31, 2018 and 2017.

Cash

Hope for Justice maintains cash in bank deposit accounts which may, at times, exceed federally insured limits. Hope for Justice has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Property and Equipment

Property and equipment are 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

Hope for Justice records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

HOPE FOR JUSTICE, INC.

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue.

Donated Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individual providing the service and the service would typically need to be purchased if not donated.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Tennessee law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's IRS Form 990 is subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, does not have uncertain income tax positions that are material to the financial statements.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses have been classified based upon the actual direct expenditures and cost allocations based upon estimates of time spent by the Organization's personnel.

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 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 (Continued)

NOTE 1 NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Event Evaluation

In preparing the financial statements, the Organization evaluates events subsequent to the statement of financial position date through October 24, 2018, which is the date the financial statements were available to be issued.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment as of March 31 consisted of the following:

	2018	2017
Furniture and fixtures	\$ 17,725	\$ 8,754
Computers and software	16,641	22,899
Vehicles	41,330	41,330
Less accumulated depreciation	(39,488)	(27,149)
	<u>\$ 36,208</u>	<u>\$ 45,834</u>

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at March 31 are available for the following purposes:

	2018	2017
US operations	\$ 79,142	\$ 141,379
Lighthouse Center	25,000	-
Consultancy	10,000	-
Cambodia operations	994	10,045
	<u>\$ 115,136</u>	<u>\$ 151,424</u>

NOTE 5 LEASE COMMITMENTS

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-cancelable operating leases expiring in 2023. The total expense recorded in the statement of activities related to these leases was \$84,258 and \$86,865 in 2018 and 2017, respectively. Future minimum lease payments are as follows:

2019	\$ 87,028
2020	67,957
2021	38,908
2022	39,879
Thereafter	13,402
	<u>\$ 247,174</u>

HOPE FOR JUSTICE, INC.

Notes to Financial Statements (Continued)

NOTE 6 RELATED PARTY TRANSACTIONS

As described in Note 1, the Organization is affiliated with Hope for Justice in the United Kingdom. The Organization received non-cash donations of \$183,860 and \$164,726 for shared managerial and business services for the years March 31, 2018 and 2017, respectively. The Organization began paying for these shared services during January 2018, incurring \$66,000 of expenses, which were unpaid as of March 31, 2018 and are included in accounts payable and accrued expenses on the statement of financial position.

Also described in Note 1, the Organization is affiliated with Hope for Justice in Norway. The Organization incurred \$29,436 and \$16,322 of shared business expenses for the years ended March 31, 2018 and 2017, respectively. As of March 31, 2018 and 2017, the Organization owed Hope for Justice, Norway \$35,729 and \$10,705 for these services, respectively, which is included in accounts payable and accrued expenses on the statement of financial position.