

# **Hope for Justice, Inc.**

**Financial Statements  
March 31, 2019 and 2018, and  
Independent Auditors' Report**

# HOPE FOR JUSTICE, INC.

March 31, 2019 and 2018

## Contents

---

	<b><u>Page(s)</u></b>
Independent Auditors' Report	1 – 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 – 12

## 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, 2019 and 2018, 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, 2019 and 2018, 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.

***Effect of Adopting New Accounting Standard***

As discussed in Note 1, the Organization has adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Our opinion is not modified with respect to that matter.

*Barnes, Dennig & Co., Ltd.*

November 7, 2019  
Cincinnati, Ohio

**HOPE FOR JUSTICE, INC.**

**Statements of Financial Position  
March 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash	\$ 788,141	\$ 590,479
Property and equipment, net	58,599	36,208
Other assets	<u>22,292</u>	<u>26,049</u>
Total assets	<u><u>\$ 869,032</u></u>	<u><u>\$ 652,736</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 137,726	\$ 141,392
<b>Net Assets</b>		
Without donor restrictions	639,706	396,208
With donor restrictions	<u>91,600</u>	<u>115,136</u>
Total net assets	<u>731,306</u>	<u>511,344</u>
Total liabilities and net assets	<u><u>\$ 869,032</u></u>	<u><u>\$ 652,736</u></u>

See accompanying notes to financial statements

**HOPE FOR JUSTICE, INC.**

**Statements of Activities  
Years Ended March 31, 2019 and 2018**

	<u>2019</u>			<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and other support</b>						
Contributions	\$ 1,462,659	\$ 292,486	\$ 1,755,145	\$ 949,123	\$ 602,735	\$ 1,551,858
Donated services	-		-	183,860	-	183,860
Other Income	3,186		3,186	135	-	135
Net assets released from restrictions	316,022	(316,022)	-	639,023	(639,023)	-
Total revenues and other support	<u>1,781,867</u>	<u>(23,536)</u>	<u>1,758,331</u>	<u>1,772,141</u>	<u>(36,288)</u>	<u>1,735,853</u>
<b>Expenses</b>						
Program	1,191,313	-	1,191,313	1,183,838	-	1,183,838
Administrative	213,787	-	213,787	81,393	-	81,393
Fundraising	133,269	-	133,269	162,819	-	162,819
Total expenses	<u>1,538,369</u>	<u>-</u>	<u>1,538,369</u>	<u>1,428,050</u>	<u>-</u>	<u>1,428,050</u>
<b>Change in net assets</b>	243,498	(23,536)	219,962	344,091	(36,288)	307,803
<b>Net assets, beginning of year</b>	<u>396,208</u>	<u>115,136</u>	<u>511,344</u>	<u>52,117</u>	<u>151,424</u>	<u>203,541</u>
<b>Net assets, end of year</b>	<u>\$ 639,706</u>	<u>\$ 91,600</u>	<u>\$ 731,306</u>	<u>\$ 396,208</u>	<u>\$ 115,136</u>	<u>\$ 511,344</u>

See accompanying notes to financial statements

**HOPE FOR JUSTICE, INC.**

**Statement of Functional Expenses  
Year Ended March 31, 2019**

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 614,590	\$ 31,113	\$ 31,113	\$ 676,816
Professional services	63,387	168,633	40,626	272,646
Victim support	228,975	-	197	229,172
Occupancy	131,781	8,009	8,272	148,062
Special events	108	-	37,064	37,172
Travel	33,238	489	1,926	35,653
Office supplies	24,337	434	6,976	31,747
Repairs and maintenance	22,876	252	252	23,380
Employee benefits	17,297	873	873	19,043
Telephone	17,317	535	535	18,387
Depreciation	11,493	1,555	1,797	14,845
Other	9,964	89	243	10,296
Conferences and training	6,972	21	21	7,014
Meals and entertainment	6,511	26	31	6,568
Advertising and promotion	1,284	2	2,997	4,283
Service charges	1,183	1,756	346	3,285
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>\$ 1,191,313</u>	<u>\$ 213,787</u>	<u>\$ 133,269</u>	<u>\$ 1,538,369</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</u>
Salaries and wages	\$ 620,565	\$ 20,553	\$ 35,010	\$ 676,128
Professional services	58,910	17,017	31,376	107,303
Victim and artist tour support	192,867	43	264	193,174
Occupancy	106,392	7,654	7,654	121,700
Special events	-	-	7,127	7,127
Travel	26,587	299	3,496	30,382
Office supplies	11,063	598	2,328	13,989
Repairs and maintenance	21,345	1,365	1,002	23,712
Employee benefits	15,217	306	859	16,382
Telephone	19,333	733	733	20,799
Depreciation	9,982	1,848	1,996	13,826
Other	2,095	-	713	2,808
Conferences and training	2,453	-	25	2,478
Meals and entertainment	8,758	36	63	8,857
Advertising and promotion	2,719	-	-	2,719
Service charges	976	1,523	306	2,805
Donated services	84,576	29,418	69,867	183,861
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </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.**

**Statements of Cash Flows  
Years Ended March 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 219,962	\$ 307,803
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	14,845	13,826
Changes in:		
Other assets	3,380	(3,204)
Accounts payable and accrued expenses	<u>(3,666)</u>	<u>79,704</u>
Net cash provided by operating activities	<u>234,521</u>	<u>398,129</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	<u>(36,859)</u>	<u>(2,714)</u>
<b>Net change in cash</b>	197,662	395,415
<b>Cash, beginning of year</b>	<u>590,479</u>	<u>195,064</u>
<b>Cash, end of year</b>	<u><u>\$ 788,141</u></u>	<u><u>\$ 590,479</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 two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity.

##### ***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 revenue with donor restrictions 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)*

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.

##### *Subsequent Event Evaluation*

In preparing the financial statements, the Organization evaluates events subsequent to the statement of financial position date through November 7, 2019, which is the date the financial statements were available to be issued.

## HOPE FOR JUSTICE, INC.

### Notes to Financial Statements (Continued)

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

##### *Effect of Adopting New Accounting Standards*

In 2018, the Organization adopted Financial Accounting Services Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update primarily addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provide about expenses and investment return, and other financial statement presentation items and enhanced disclosures. Net asset classifications have been reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions). In addition, updated disclosure requirements are presented regarding risk exposure and availability of cash for short-term use and expenses are reported by both natural and functional classification. The Organization adopted ASU 2016-14 as of January 1, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented except for the disclosing information about liquidity and availability of resources, which are permitted to be omitted for any periods presented before the period of adoption.

##### *Recently Issued Accounting Standards*

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2020. The Organization is evaluating the impact of adoption of this ASU on its financial statements.

#### NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of March 31, 2019, comprise of the following:

Cash	\$	788,141
Less net assets with donor restrictions		<u>(91,600)</u>
	\$	<u><u>696,541</u></u>

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 operating needs and other contractual commitments.

**HOPE FOR JUSTICE, INC.**  
**Notes to Financial Statements**  
**(Continued)**

**NOTE 3 PROPERTY AND EQUIPMENT**

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

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 18,580	\$ 17,725
Computers and software	34,476	16,641
Vehicles	59,499	41,330
Less accumulated depreciation	<u>(53,956)</u>	<u>(39,488)</u>
	<u>\$ 58,599</u>	<u>\$ 36,208</u>

**NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at March 31 are available for the following purposes:

	<u>2019</u>	<u>2018</u>
US investigations and training	\$ 70,000	\$ -
Consultancy	10,000	10,000
US operations	8,100	79,142
Other	3,500	994
Lighthouse Center	<u>-</u>	<u>25,000</u>
	<u>\$ 91,600</u>	<u>\$ 115,136</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 \$102,279 and \$84,258 in 2019 and 2018, respectively. Future minimum lease payments are as follows:

2020	\$ 108,757
2021	62,708
2022	50,079
2023	<u>13,402</u>
	<u>\$ 234,946</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 for shared managerial and business services for the year ended March 31, 2018. The Organization began paying for these shared services in January 2018, incurring \$246,167 and \$66,000 for the years ended March 31, 2019 and 2018, respectively. As of March 31, 2019 and 2018, the Organization owed Hope for Justice, United Kingdom \$60,453 and \$64,200 for these services, respectively, which is 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 \$7,569 and \$29,436 of shared business expenses for the years ended March 31, 2019 and 2018, respectively. As of March 31, 2019 and 2018, the Organization owed Hope for Justice, Norway \$43,297 and \$35,729 for these services, respectively, which is included in accounts payable and accrued expenses on the statement of financial position.