

Hope for Justice, Inc.

**Financial Statements
March 31, 2017 and 2016, and
Independent Auditors' Report**

HOPE FOR JUSTICE, INC.

March 31, 2017 and 2016

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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, 2017 and 2016, 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 positions of Hope for Justice, Inc. as of March 31, 2017 and 2016, 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.

Barnes, Dennig & Co., Ltd.

June 8, 2017
Cincinnati, Ohio

HOPE FOR JUSTICE, INC.

**Statements of Financial Position
March 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 195,064	\$ 199,690
Property and equipment, net	45,834	21,110
Other assets	<u>24,331</u>	<u>24,702</u>
Total assets	<u>\$ 265,229</u>	<u>\$ 245,502</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 61,688	\$ 66,641
Net Assets		
Unrestricted	52,117	121,226
Temporarily restricted	<u>151,424</u>	<u>57,635</u>
Total net assets	<u>203,541</u>	<u>178,861</u>
Total liabilities and net assets	<u>\$ 265,229</u>	<u>\$ 245,502</u>

See accompanying notes to financial statements

HOPE FOR JUSTICE, INC.

**Statements of Activities
Years Ended March 31, 2017 and 2016**

	<u>2017</u>			<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains and other support						
Contributions	\$ 496,826	\$ 826,963	\$ 1,323,789	\$ 658,085	\$ 648,829	\$ 1,306,914
Donated services	164,726	-	164,726	-	-	-
Other Income	143	-	143	66,668	-	66,668
Net assets released from restrictions	733,174	(733,174)	-	659,289	(659,289)	-
Total revenue, gains and other support	<u>1,394,869</u>	<u>93,789</u>	<u>1,488,658</u>	<u>1,384,042</u>	<u>(10,460)</u>	<u>1,373,582</u>
Expenses						
Program services	1,207,042	-	1,207,042	1,256,792	-	1,256,792
Administrative	65,199	-	65,199	61,361	-	61,361
Fundraising	191,737	-	191,737	305,574	-	305,574
Total expenses	<u>1,463,978</u>	<u>-</u>	<u>1,463,978</u>	<u>1,623,727</u>	<u>-</u>	<u>1,623,727</u>
Change in net assets	(69,109)	93,789	24,680	(239,685)	(10,460)	(250,145)
Net assets, beginning of year	<u>121,226</u>	<u>57,635</u>	<u>178,861</u>	<u>360,911</u>	<u>68,095</u>	<u>429,006</u>
Net assets, end of year	<u>\$ 52,117</u>	<u>\$ 151,424</u>	<u>\$ 203,541</u>	<u>\$ 121,226</u>	<u>\$ 57,635</u>	<u>\$ 178,861</u>

See accompanying notes to financial statements

HOPE FOR JUSTICE, INC.

**Statement of Functional Expenses
Year Ended March 31, 2017**

	<u>Program services</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
Travel	27,776	453	17,029	45,258
Professional services	23,984	5,502	5,262	34,748
Other	29,850	-	671	30,521
Special events	100	-	22,722	22,822
Employee benefits	21,174	-	118	21,292
Telephone	18,840	385	385	19,610
Office expenses	9,458	1,932	2,431	13,821
Repairs and maintenance	12,563	754	63	13,380
Depreciation	8,319	1,510	1,707	11,536
Meals and entertainment	4,269	281	258	4,808
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.

**Statement of Functional Expenses
Year Ended March 31, 2016**

	<u>Program Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 689,339	\$ 46,911	\$ 56,177	\$ 792,427
Victim and artist tour support	286,795	20	1,035	287,850
Occupancy	36,604	6,531	6,554	49,689
Travel	48,392	869	20,853	70,114
Professional services	82,778	2,240	13,254	98,272
Other	23,441	140	1,761	25,342
Special events	22,673	171	159,495	182,339
Employee benefits	11,186	48	165	11,399
Telephone	12,742	486	806	14,034
Office expenses	10,360	1,727	6,425	18,512
Repairs and maintenance	2,950	696	255	3,901
Depreciation	5,704	307	523	6,534
Meals and entertainment	8,501	866	647	10,014
Service charges	2,004	249	127	2,380
Advertising and promotion	4,743	93	296	5,132
Conferences and training	8,580	7	37,201	45,788
	<u>8,580</u>	<u>7</u>	<u>37,201</u>	<u>45,788</u>
Total expenses	<u>\$ 1,256,792</u>	<u>\$ 61,361</u>	<u>\$ 305,574</u>	<u>\$ 1,623,727</u>

See accompanying notes to financial statements

HOPE FOR JUSTICE, INC.

**Statements of Cash Flows
Years Ended March 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 24,680	\$ (250,145)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Noncash donation of vehicle	-	(5,000)
Depreciation	11,536	6,534
Changes in:		
Other assets	(984)	(18,165)
Accounts payable and accrued expenses	<u>(4,953)</u>	<u>49,656</u>
Net cash provided by (used in) operating activities	<u>30,279</u>	<u>(217,120)</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(34,905)</u>	<u>(9,620)</u>
Net change in cash	(4,626)	(226,740)
Cash, beginning of year	<u>199,690</u>	<u>426,430</u>
Cash, end of year	<u><u>\$ 195,064</u></u>	<u><u>\$ 199,690</u></u>

See accompanying notes to financial statements

HOPE FOR JUSTICE, INC.

Notes to Financial Statements

NOTE 1 ORGANIZATION AND SUMMARY OF 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

During 2014, the Organization affiliated itself 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, 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 restriction which do not expire. There were no permanently restricted net assets at March 31, 2017 and 2016.

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 ORGANIZATION AND SUMMARY OF 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 Ohio/Kentucky law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

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 June 8, 2017, which is the date the financial statements were available to be issued.

HOPE FOR JUSTICE, INC.

**Notes to Financial Statements
(Continued)**

NOTE 2 CONDITIONAL PROMISE TO GIVE

During 2015, the Organization received a multi-year grant commitment of \$75,000 to fund the relaunching of the Lighthouse Center for Trafficking Victims (the Center) in Cambodia. Future payments will be approved pending the results of inspections by the grantor and, therefore, have not been recognized as unconditional promises to give. As of March 31, 2017, the Organization has received \$50,000 (\$25,000 in 2016 and 2017 each); and expects to receive \$25,000 in 2018 to support future operating costs of the Center.

NOTE 3 PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 8,754	\$ 8,394
Computers and software	22,899	21,353
Vehicles	<u>41,330</u>	<u>8,330</u>
	72,983	38,077
Less accumulated depreciation	<u>(27,149)</u>	<u>(16,967)</u>
	<u>\$ 45,834</u>	<u>\$ 21,110</u>

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
US operations	\$ 141,379	\$ 28,392
Shine School	<u>10,045</u>	<u>29,243</u>
	<u>\$ 151,424</u>	<u>\$ 57,635</u>

HOPE FOR JUSTICE, INC.

**Notes to Financial Statements
(Continued)**

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 2018. The total expense recorded in the statement of activities related to these leases was of \$86,865. Future minimum lease payments are as follows:

2018	\$	74,578
2019		37,028
2020		37,957
2021		38,908
2022		39,879
Thereafter		<u>13,402</u>
	\$	<u>241,752</u>

NOTE 6 RELATED PARTY TRANSACTIONS

As described in Note 1, the Organization is affiliated with Hope for Justice in the United Kingdom. During 2017, the Organization received non-cash donations of \$164,726 for shared managerial and business services. Hope for Justice, UK also loaned the Organization \$30,000 during 2017, which remained unpaid as of March 31, 2017 and 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. During 2017, the Organization incurred \$16,322 of shared business expenses. As of March 31, 2017, the Organization owed Hope for Justice, Norway \$10,705 for these services, which is included in accounts payable and accrued expenses on the statement of financial position.