

HAGAR USA, INC.
FINANCIAL STATEMENTS
December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hagar USA, Inc.
Charlotte, North Carolina

We have audited the accompanying financial statements of Hagar USA, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

Auditor's 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 Hagar USA, Inc. as of December 31, 2020 and 2019, 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.



Wegner CPAs, LLP
Madison, Wisconsin
April 21, 2021

HAGAR USA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash	\$ 92,071	\$ 50,716
Accounts receivable	162	154
Unconditional promises to give	-	81,151
Computer equipment and software (net of accumulated depreciation of \$58,422 and \$58,177)	491	-
Total assets	\$ 92,724	\$ 132,021
LIABILITIES		
Accounts payable	\$ 200	\$ 3,789
NET ASSETS		
Without donor restrictions	51,102	32,934
With donor restrictions	41,422	95,298
Total net assets	92,524	128,232
Total liabilities and net assets	\$ 92,724	\$ 132,021

See accompanying notes.

HAGAR USA, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Contributions		
Individuals, foundations, corporations, churches	\$ 172,675	\$ 192,358
Paycheck Protection Program	22,250	-
	<u>194,925</u>	<u>192,358</u>
Total revenues without donor restrictions	194,925	192,358
EXPENSES		
Human rights protection, recovery, and education	274,543	305,515
Management and general	47,892	92,144
Fundraising	52,888	64,195
	<u>375,323</u>	<u>461,854</u>
Total expenses	375,323	461,854
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	<u>198,566</u>	<u>232,856</u>
Change in net assets without donor restrictions	18,168	(36,640)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	144,690	166,058
Net assets released from restrictions	<u>(198,566)</u>	<u>(232,856)</u>
Change in net assets with donor restrictions	<u>(53,876)</u>	<u>(66,798)</u>
Change in net assets	(35,708)	(103,438)
Net assets at beginning of year	<u>128,232</u>	<u>231,670</u>
Net assets at end of year	<u>\$ 92,524</u>	<u>\$ 128,232</u>

See accompanying notes.

HAGAR USA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2020 and 2019

	2020			
	Human Rights Protection, Recovery, and Education	Management and General	Fundraising	Total
Program transfers	\$ 236,216	\$ -	\$ -	\$ 236,216
Personnel	29,188	27,551	29,187	85,926
Marketing and advertising	7,668	7,239	9,850	24,757
Office	91	991	11,488	12,570
Professional services	-	10,550	-	10,550
Information technology	568	795	1,551	2,914
Insurance	419	395	419	1,233
Travel	310	292	310	912
Depreciation	83	79	83	245
Total expenses	\$ 274,543	\$ 47,892	\$ 52,888	\$ 375,323

	2019			
	Human Rights Protection, Recovery, and Education	Management and General	Fundraising	Total
Program transfers	\$ 262,356	\$ -	\$ -	\$ 262,356
Personnel	39,073	65,786	39,073	143,932
Marketing and advertising	-	22	10,196	10,218
Office	-	5,999	8,468	14,467
Professional services	-	9,647	-	9,647
Information technology	-	2,855	984	3,839
Insurance	-	1,233	-	1,233
Travel	3,486	5,947	4,974	14,407
Occupancy	600	655	500	1,755
Total expenses	\$ 305,515	\$ 92,144	\$ 64,195	\$ 461,854

See accompanying notes.

HAGAR USA, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (35,708)	\$ (103,438)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	245	-
Paycheck Protection Program loan forgiven	(22,250)	-
(Increase) decrease in assets		
Accounts receivable	(8)	(154)
Unconditional promises to give	81,151	66,483
Increase (decrease) in liabilities		
Accounts payable	(3,589)	2,331
Accrued payroll taxes	-	-
Net cash flows from operating activities	<u>19,841</u>	<u>(34,778)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of computer equipment	(736)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	<u>22,250</u>	<u>-</u>
Net change in cash	41,355	(34,778)
Cash at beginning of year	<u>50,716</u>	<u>85,494</u>
Cash at end of year	<u><u>\$ 92,071</u></u>	<u><u>\$ 50,716</u></u>

See accompanying notes.

HAGAR USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hagar USA, Inc. (Hagar) is a support office for the work of Hagar International, which is an internationally recognized Christian human rights organization with over 25 years of expertise providing protection and recovery to women and children who have been victims of severe abuse.

Hagar's programs are based in Cambodia (1994), Afghanistan (2008), Vietnam (2009), and Myanmar (2014), with support offices located in Singapore (1998), United States (2005), Australia (2006), New Zealand (2009), United Kingdom (2011), and Hong Kong (2012).

Hagar International is committed to the recovery and empowerment of women and children who are victims of human rights abuses, particularly human trafficking, sexual exploitation, and domestic violence. Its mission is to provide whatever it takes, for as long as it takes, to restore broken lives.

To accomplish this, Hagar provides long-term, holistic recovery services – including counseling, residential care, schooling, job skills training and supported work, individualized for each client – to address the complex needs of more than 1,200 women and children each year who have been victims of domestic violence, human trafficking and other forms of human rights abuses.

Hagar receives its funding from individuals, churches, corporations, foundations and government grants.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management has used reasonable collection efforts and determined the promises will not be collected.

Computer Equipment and Software

Acquisitions of computer equipment and software in excess of \$500 are carried at cost and depreciated using the straight-line method over the estimated useful lives of the assets.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

HAGAR USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Paycheck Protection Program Loan

Hagar received a loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan has been fully forgiven and was used for payroll costs. Hagar recognized amounts forgiven as revenue when it incurred qualifying expenses.

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, marketing and advertising, office, information technology, insurance, and depreciation which are allocated on the basis of estimates of time and effort.

The following program services and supporting activities are included in the accompanying financial statements:

Human Rights Protection, Recovery, and Education

Program activities relate to the recovery of women and children who have endured extreme abuses. Program transfers to Hagar Cambodia were for general support as well as other specific projects and programs such as the Women, Girls' and Boys' Recovery Program, the Community Learning Center, and the Transitional Care Program. Program transfers sent to Hagar Afghanistan were for general support as well as other specific projects such as the Forgotten No More boys recovery project and coalition-building and educating on human trafficking issues. Program transfers sent to Hagar Vietnam were for general support as well as other specific projects such as personal development workshops and a retreat. Program transfers sent to Hagar Myanmar were for general support as well as other specific projects such as capacity building of non-profits to enable them to better care for the traumatized in Myanmar.

Management and General

Management and general activities relate to the overall direction of Hagar and include the functions necessary to ensure proper administrative functioning of the board of directors, management the financial and budgetary responsibilities of the organization, and perform other administrative operations.

Fundraising

Fundraising activities relate to travel and other costs associated with proposal writing, direct appeal efforts, and communication with prospective funding sources.

HAGAR USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Income Tax Status

Hagar is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Hagar qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Date of Management’s Review

Management has evaluated subsequent events through April 21, 2021, the date which the financial statements were available to be issued.

NOTE 2 – TRANSACTIONS WITH AFFILIATES

Hagar is affiliated with Hagar International and remits a portion of contributions collected annually. Total amounts for the year ended December 31, 2020 and 2019 paid to Hagar International were \$7,300 and \$18,862, which are included in program transfers in the statements of functional expenses.

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019 are available for the following:

	2020	2019
Hagar Cambodia	\$ 20,855	\$ 18,902
Hagar Hong Kong	15,000	-
Hagar Afghanistan	4,545	131
Hagar Vietnam	1,022	1,098
Hagar International	-	66,667
Grant writer	-	8,500
	\$ 41,422	\$ 95,298

NOTE 4 – OPERATING LEASES

Hagar entered into an agreement to lease office space effective July 1, 2018 that required monthly rent payments of \$350. The lease was terminated July 31, 2019. Rent expenses for the year ended December 31, 2019 were \$2,500.

HAGAR USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 5 – PAYCHECK PROTECTION PROGRAM

On May 1, 2020, Hagar received a \$22,250 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 January 22, 2021, the SBA approved forgiveness of the loan. Hagar 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 Hagar’s good-faith certification concerning the necessity of its loan request, whether Hagar calculated the loan amount correctly, whether Hagar used loan proceeds for the allowable uses specified in the CARES Act, and whether Hagar is entitled to loan forgiveness in the amount claimed on its application. If SBA determines Hagar was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 6 – LIQUIDITY AND AVAILABILITY

The following reflects Hagar’s financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditures within one year of the dates of the statement of financial position because of donor-imposed restrictions.

	2020	2019
Financial assets at end of year	\$ 92,233	\$ 132,021
Less those unavailable for general expenditures within one year due to:		
Donor imposed restrictions	(41,422)	(95,298)
Financial assets available to meet cash needs for general expenditures within one year	\$ 50,811	\$ 36,723

Hagar is substantially supported by grants and contributions, including donor-restricted contributions. Because a donor’s restriction requires resources to be used in a particular or in a future period, Hagar must maintain sufficient resources to meet those responsibilities to its donors. As part of Hagar’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 7 – RISKS AND UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that could impact operating results. The related financial impact and duration cannot be reasonably estimated at this time.