

HAGAR USA, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

HAGAR USA, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Hagar USA, Inc.
Columbus, Ohio

Opinion

We have audited the accompanying financial statements of Hagar USA, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related 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 financial statements referred to above present fairly, in all material respects, the financial position of Hagar USA, Inc. as of December 31, 2022 and 2021, 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. 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 Hagar USA, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Hagar USA, 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 Responsibility 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 generally accepted auditing standards 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

**INDEPENDENT AUDITOR'S REPORT
(Continued)**

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 generally accepted auditing standards, 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 Hagar USA, 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 Hagar USA, 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.

Wells, CPA

Columbus, Ohio
June 6, 2023

HAGAR USA, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	<u>2022</u>			<u>2021</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
ASSETS						
Current Assets						
Cash	\$ 33,472	\$ 17,370	\$ 50,842	\$ 95,160	\$ 4,829	\$ 99,989
Accounts Receivable	2,497	-	2,497	25,497	-	25,497
Total Current Assets	<u>35,969</u>	<u>17,370</u>	<u>53,339</u>	<u>120,657</u>	<u>4,829</u>	<u>125,486</u>
Computer Equipment and Software, Net	-	-	-	246	-	246
TOTAL ASSETS	<u>\$ 35,969</u>	<u>\$ 17,370</u>	<u>\$ 53,339</u>	<u>\$ 120,903</u>	<u>\$ 4,829</u>	<u>\$ 125,732</u>
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts Payable	\$ 6,578	\$ -	\$ 6,578	\$ 700	\$ -	\$ 700
Total Current Liabilities	<u>6,578</u>	<u>-</u>	<u>6,578</u>	<u>700</u>	<u>-</u>	<u>700</u>
TOTAL LIABILITIES	<u>6,578</u>	<u>-</u>	<u>6,578</u>	<u>700</u>	<u>-</u>	<u>700</u>
NET ASSETS						
Net Assets Without Donor Restrictions	29,391	-	29,391	120,203	-	120,203
Net Assets With Donor Restrictions	-	17,370	17,370	-	4,829	4,829
TOTAL NET ASSETS	<u>29,391</u>	<u>17,370</u>	<u>46,761</u>	<u>120,203</u>	<u>4,829</u>	<u>125,032</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 35,969</u>	<u>\$ 17,370</u>	<u>\$ 53,339</u>	<u>\$ 120,903</u>	<u>\$ 4,829</u>	<u>\$ 125,732</u>

See Accompanying Notes to the Financial Statements

HAGAR USA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>			<u>2021</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
REVENUE AND SUPPORT						
Individuals, Foundations, Corporations, Churches	\$ 179,995	\$ 296,860	\$ 476,855	\$ 217,192	\$ 360,802	\$ 577,994
Paycheck Protection Program	-	-	-	27,600	-	27,600
Interest Income	2	-	2	-	-	-
Net Assets Released from Restriction	284,319	(284,319)	-	397,395	(397,395)	-
TOTAL REVENUE AND SUPPORT	<u>464,316</u>	<u>12,541</u>	<u>476,857</u>	<u>642,187</u>	<u>(36,593)</u>	<u>605,594</u>
EXPENSES						
Human Rights Protections, Recovery, and Education	417,415	-	417,415	468,657	-	468,657
Management and General	62,590	-	62,590	28,755	-	28,755
Fundraising	75,123	-	75,123	75,674	-	75,674
TOTAL EXPENSES	<u>555,128</u>	<u>-</u>	<u>555,128</u>	<u>573,086</u>	<u>-</u>	<u>573,086</u>
Change in Net Assets	<u>(90,812)</u>	<u>12,541</u>	<u>(78,271)</u>	<u>69,101</u>	<u>(36,593)</u>	<u>32,508</u>
Net Assets at Beginning of Year	<u>120,203</u>	<u>4,829</u>	<u>125,032</u>	<u>51,102</u>	<u>41,422</u>	<u>92,524</u>
Net Assets at End of Year	<u>\$ 29,391</u>	<u>\$ 17,370</u>	<u>\$ 46,761</u>	<u>\$ 120,203</u>	<u>\$ 4,829</u>	<u>\$ 125,032</u>

See Accompanying Notes to the Financial Statements

HAGAR USA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (78,271)	\$ 32,508
Depreciation Expense	246	245
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used in Operating Activities		
Changes in Assets and Liabilities		
Accounts Receivable	23,000	(25,335)
Accounts Payable	5,878	500
Net Cash Provided by Operating Activities	<u>(49,147)</u>	<u>7,918</u>
 Cash Flows from Investing Activities		
Net Cash Used in Investing Activities	<u>-</u>	<u>-</u>
 Cash Flows from Financing Activities		
Net Cash Provided by Financing Activities	<u>-</u>	<u>-</u>
 Net Change in Unrestricted and Restricted Cash	(49,147)	7,918
 Unrestricted and Restricted Cash at Beginning of Year	<u>99,989</u>	<u>92,071</u>
 Unrestricted and Restricted Cash at End of Year	<u><u>\$ 50,842</u></u>	<u><u>\$ 99,989</u></u>

See Accompanying Notes to the Financial Statements

HAGAR USA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022				2021			
	Human Rights Protection, Recovery, and Education	Management and General	Fundraising	Total	Human Rights Protection, Recovery, and Education	Management and General	Fundraising	Total
EXPENSES								
Program Transfers	\$ 376,269	\$ -	\$ -	\$ 376,269	\$ 425,363	\$ -	\$ -	\$ 425,363
Personnel	35,762	15,327	51,088	102,177	31,335	13,429	44,764	89,528
Marketing and Advertising	149	64	214	427	8,571	3,673	12,244	24,488
Office	7	1,963	14,967	16,937	251	303	14,186	14,740
Professional Services	-	42,995	1,388	44,383	-	10,006	-	10,006
Information Technology	770	330	1,099	2,199	969	415	1,384	2,768
Insurance	261	112	372	745	608	260	868	1,736
Travel	4,111	1,762	5,872	11,745	1,474	632	2,106	4,212
Depreciation	86	37	123	246	86	37	122	245
TOTAL EXPENSES	\$ 417,415	\$ 62,590	\$ 75,123	\$ 555,128	\$ 468,657	\$ 28,755	\$ 75,674	\$ 573,086

See Accompanying Notes to the Financial Statements

HAGAR USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 – ORGANIZATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The financial statements of Hagar have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), which require Hagar to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Hagar's management and the Board of Directors.

HAGAR USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Hagar or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

Revenue and Revenue Recognition

Hagar recognizes contributions when the pledge is received. All donor-restricted contributions are reported as increases in net assets with donor restrictions. Hagar considers donor restrictions to be fully met once substantially all the required performance stipulations have been achieved. Restrictions are released at the point that Hagar has determined that the performance stipulation has substantially been achieved.

Contributed Services

A substantial number of volunteers have donated significant amounts of their time to Hagar and its programs; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Accounts Receivable

Accounts receivables are stated at unpaid balances, less any necessary allowance for doubtful accounts. Hagar provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of Hagar to collect the unpaid balance. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is Hagar's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. During the years ended December 31, 2022 and 2021, Hagar had no allowance for doubtful accounts or charge offs.

Income Taxes

Hagar is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Hagar follows FASB guidance on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Hagar may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Hagar, and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on

HAGAR USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

income taxes, and accounting in interim periods. On December 31, 2022 and 2021 there were no material unrecognized tax benefits identified or recorded as liabilities.

The Organization files Form 990 in the U.S. federal jurisdiction and the state of Ohio. The Organization’s federal exempt organization tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. All tax returns for years ending after December 31, 2019 are open for examination.

Functional Allocation of Expenses

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, information technology, insurance, travel, and depreciation, which are allocated on estimates of time and effort.

Restricted Cash

Restricted cash are limited in use to payments of donor restrictions as described in Note 3.

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.

Subsequent Events

Generally accepted accounting principles define subsequent events as events or transactions that occur after the Statement of Financial Position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through June 6, 2023, the date on which the financial statements were available to be issued.

NOTE 3 – DONOR-RESTRICTED NET ASSETS

Net assets with donor restrictions consisted of the following for the years ending December 31:

	<u>2022</u>	<u>2021</u>
Hagar Myanmar	\$ 1,151	\$ -
Hagar Cambodia	-	3,174
Hagar Vietnam	16,219	1,655
Total	<u>\$17,370</u>	<u>\$4,829</u>

NOTE 4 – PAYCHECK PROTECTION PROGRAM (PPP)

Hagar received a PPP loan during 2021 for \$27,600. Hagar received notification of the loan forgiveness prior to December 31, 2021. The forgiveness is reflected in the Statement of Activities for the year ended December 31, 2021.

HAGAR USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4 – PAYCHECK PROTECTION PROGRAM (Continued)

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 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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 manner 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. Hagar considers its cash and accounts receivable balances as reflected on the Statements of Financial Position to be financial assets.

The following reflects Hagar’s financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general expenditures within one year of the dates of the Statements of Financial Position because of donor-imposed restrictions:

	2022	2021
Financial assets at end of year	\$ 53,339	\$ 125,732
Less those unavailable for general expenditures		
Within one year:		
Computer Equipment and Software, Net	-	(246)
With Donor Restriction	(17,370)	(4,829)
Financial assets available to meet cash needs for		
General expenditures within one year	\$ 35,969	\$ 120,657

NOTE 6 – TRANSACTIONS WITH AFFILIATES

Hagar is affiliated with Hagar International and remits a portion of contributions collected annually. Total amounts paid to Hagar International for the years ended December 31, 2022 and 2021 were \$30,937 and \$0, respectively. These are included in program transfers in the Statements of Functional Expenses.

HAGAR USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7 – COMPUTER EQUIPMENT AND SOFTWARE, NET
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Computer equipment and software, net, consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Computer Equipment and Software	\$ 736	\$ 736
Implementation Costs	58,177	58,177
	<hr/> 58,913	<hr/> 58,913
Less: Accumulated Depreciation	<hr/> (58,913)	<hr/> (58,667)
Computer Equipment and Software, Net	<hr/> \$ -	<hr/> \$ 246