

**HAGAR USA, INC.**  
FINANCIAL STATEMENTS  
December 31, 2015 and 2014

## CONTENTS

Independent Auditor's Report .....	1
Statements of Financial Position.....	2
Statements of Activities .....	3
Statements of Functional Expenses .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements .....	6



## 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, 2015 and 2014, 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, 2015 and 2014, 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*

Wegner CPAs, LLP  
Madison, Wisconsin  
June 22, 2016

**New York Office:**

230 Park Avenue, 10<sup>th</sup> Floor  
New York, NY 10146  
P: (212) 551-1724  
F: (262) 522-7550

**Washington DC Office:**

400 North Washington Street  
Second Floor  
Alexandria, VA 22314  
P: (703) 519-0990

**Wisconsin Office:**

2110 Luann Lane  
Madison, WI 53713  
P: (608) 274-4020  
F: (608) 274-0775

**HAGAR USA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 158,594	\$ 60,703
Accounts receivable	7,455	323
Unconditional promises to give	18,674	-
Computer equipment and software - net	<u>39,069</u>	<u>52,092</u>
<b>Total assets</b>	<u>\$ 223,792</u>	<u>\$ 113,118</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 106,405	\$ 105,843
Grants payable	85,470	1,677
Accrued payroll and other expenses	<u>6,289</u>	<u>-</u>
Total liabilities	198,164	107,520
<b>NET ASSETS</b>		
Unrestricted	(129,478)	(134,618)
Temporarily restricted	<u>155,106</u>	<u>140,216</u>
Total net assets	<u>25,628</u>	<u>5,598</u>
<b>Total liabilities and net assets</b>	<u>\$ 223,792</u>	<u>\$ 113,118</u>

See accompanying notes.

**HAGAR USA, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>UNRESTRICTED NET ASSETS</b>		
SUPPORT AND REVENUE		
Contributions	\$ 321,164	\$ 300,317
Interest income	-	15
Other income	2,016	-
	<u>323,180</u>	<u>300,332</u>
Total unrestricted support and revenue	323,180	300,332
EXPENSES		
Program services	458,755	955,404
Management and general	180,271	221,614
Fundraising	120,737	207,306
	<u>759,763</u>	<u>1,384,324</u>
Total expenses	759,763	1,384,324
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	441,723	941,161
	<u>441,723</u>	<u>941,161</u>
<b>Change in unrestricted net assets</b>	5,140	(142,831)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	456,613	842,169
Net assets released from restrictions		
Satisfaction of purpose restrictions	(441,723)	(941,161)
	<u>14,890</u>	<u>(98,992)</u>
<b>Change in temporarily restricted net assets</b>	14,890	(98,992)
Change in net assets	20,030	(241,823)
Net assets - beginning of year	5,598	247,421
<b>Net assets - end of year</b>	<u>\$ 25,628</u>	<u>\$ 5,598</u>

See accompanying notes.

**HAGAR USA, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years ended December 31, 2015 and 2014

	Program Services	Management and General	Fundraising	2015 Total
Program transfers	\$ 407,660	\$ -	\$ -	\$ 407,660
Personnel	45,453	108,867	46,406	200,726
Professional services	396	35,198	54,804	90,398
Supplies	-	1,734	-	1,734
Travel	4,668	2,535	5,745	12,948
Postage and shipping	-	-	1,945	1,945
Occupancy	578	3,070	615	4,263
Marketing and advertising	-	-	5,044	5,044
Depreciation	-	7,205	5,818	13,023
Computer software and support	-	9,141	360	9,501
Other expenses	-	12,521	-	12,521
<b>Total expenses</b>	<b>\$ 458,755</b>	<b>\$ 180,271</b>	<b>\$ 120,737</b>	<b>\$ 759,763</b>
	Program Services	Management and General	Fundraising	2014 Total
Program transfers	\$ 950,864	\$ -	\$ -	\$ 950,864
Personnel	2,052	1,072	21,683	24,807
Professional services	714	174,229	129,626	304,569
Supplies	-	1,589	-	1,589
Travel	1,774	1,479	4,439	7,692
Postage and shipping	-	-	4,064	4,064
Occupancy	-	3,240	-	3,240
Marketing and advertising	-	-	32,835	32,835
Depreciation	-	7,205	5,818	13,023
Computer software and support	-	20,716	8,841	29,557
Other expenses	-	12,084	-	12,084
<b>Total expenses</b>	<b>\$ 955,404</b>	<b>\$ 221,614</b>	<b>\$ 207,306</b>	<b>\$ 1,384,324</b>

See accompanying notes.

**HAGAR USA, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 20,030	\$ (241,823)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	13,023	13,023
(Increase) decrease in assets		
Accounts receivable	(7,132)	5,156
Unconditional promises to give	(18,674)	55,000
Security deposit	-	580
Increase (decrease) in liabilities		
Accounts payable	562	1,060
Grants payable	83,793	(19,967)
Program transfer payable	-	9,003
Accrued payroll and other expenses	6,289	(3,975)
<b>Net cash flows from operating activities</b>	<b>97,891</b>	<b>(181,943)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Software development purchases	-	(14,875)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on software development payable	-	(29,302)
<b>Net change in cash</b>	<b>97,891</b>	<b>(226,120)</b>
Cash - beginning of year	60,703	286,823
<b>Cash - end of year</b>	<b>\$ 158,594</b>	<b>\$ 60,703</b>

See accompanying notes.

**HAGAR USA, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014

---

---

Hagar USA, Inc. is a support office for the work of Hagar International, which is an internationally recognized Christian human rights organization with over 20 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), and Vietnam (2009), with support offices located in Singapore (1998), the United States (2005), Australia (2006), New Zealand (2009), the United Kingdom (2011) and Hong Kong (2012). In addition, Hagar began efforts to establish programs in Myanmar in 2014.

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 USA receives its funding for Hagar's work from sources that include individuals, churches, corporations, foundations and government grants. The following summary of significant accounting policies is presented to enhance the usefulness of the financial statements to the reader.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

Hagar USA is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets*—Net assets that are not restricted by donors.

*Temporarily restricted net assets*—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

*Permanently restricted net assets*—Net assets that have been restricted by donors to be maintained by Hagar USA in perpetuity.

**Contributions**

Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

**Accounts Receivable**

Hagar USA considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is presented. If amounts become uncollectible, they will be charged to operations when that determination is made.



**HAGAR USA, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014

---

---

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Promises to Give**

Unconditional promises to give are recognized as revenue or gains 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.

**Computer Equipment and Software**

Computer equipment and software is carried at cost and depreciated using the straight-line method over the useful lives of the assets. Accumulated depreciation at December 31, 2015 and 2014 was \$26,046 and \$13,023.

**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.

**Expense Allocation**

The costs of Hagar USA's programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following describes those activities:

*Program Services*

The amounts sent to Hagar Cambodia were for unrestricted program support as well as specific projects and programs such as the Community Learning Center, the Transitional Care Program and Psychosocial Support. The amounts sent to Hagar Afghanistan were for unrestricted program support as well as specific projects and programs such as Hagar's Transitional Care Center and both coalition-building and educating on human trafficking issues. The amounts sent to Hagar Vietnam were for unrestricted program support as well as specific projects and programs such as personal development workshops, art therapy, and case management services for the long-term support of formerly-abused or trafficked women and children.

*Management and General*

The expenses necessary to manage the financial reporting and budgetary responsibilities of Hagar USA as well as manage employees.

*Fundraising*

Includes the 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, 2015 and 2014

---

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization 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).

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

**Date of Management’s Review**

Management has evaluated subsequent events through June 22, 2016, the date which the financial statements were available to be issued.

NOTE 2 – NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014 are available for the following purposes:

	2015	2014
Afghanistan General	\$ 24,253	\$ 23,332
Cambodia General	21,959	14,772
Hong Kong	6,050	1,050
Myanmar	98,000	98,000
U.S. Victim Services	-	2,414
Vietnam	3,974	648
Other	870	-
Temporarily restricted net assets	\$ 155,106	\$ 140,216

NOTE 3 – OPERATING LEASES

Hagar USA entered into an agreement to lease office space effective May 25, 2015. The lease required no monthly payments through December 31, 2015, at which time a base rent was negotiated. Monthly rent payments for 2016 are \$300 and the lease expires May 31, 2017. Donated facilities and related rent expenses for 2015 were \$2,169.

NOTE 4 – TRANSACTIONS WITH AFFILIATES

During 2013, Hagar USA, in conjunction with Hagar International, began implementation of new software programs to be used in operations. Hagar International invoiced Hagar USA for its share of the expenses associated with the purchase and implementation of the software, which has been capitalized as a depreciable asset. At December 31, 2015 and 2014, Hagar USA owed Hagar International \$43,322 and \$38,600 related to this purchase.

**HAGAR USA, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014

---

---

NOTE 4 – TRANSACTIONS WITH AFFILIATES (continued)

Hagar USA is affiliated with Hagar International and remits a portion of contributions collected annually. Total amounts paid to Hagar International were \$28,106 and \$102,824 for 2015 and 2014 included in program transfers in the statements of functional expenses.

Amounts payable to Hagar International were \$85,955 and \$72,526 at December 31, 2015 and 2014.

NOTE 5 – SUBSEQUENT EVENT

In June 2016, an unrestricted contribution was received from an affiliate of Hagar International in the amount of \$232,803. These funds were from a portion of proceeds from the sale of a building in Cambodia in which Hagar International was the beneficiary. This contribution was made to assist Hagar USA in improving its financial position, and the funds were utilized by Hagar USA to pay off accounts payable of approximately \$91,000 and satisfy purpose restricted net assets of approximately \$142,000.