

HAGAR USA, INC.

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

December 31, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hagar USA, Inc.
Eau Claire, Wisconsin

We have audited the accompanying statements of financial position of Hagar USA, Inc. as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Hagar USA, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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March 16, 2012

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HAGAR USA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 289,452	\$ 139,927
Unconditional promises to give	-	41,042
Other assets	<u>580</u>	<u>1,160</u>
Total assets	<u>\$ 290,032</u>	<u>\$ 182,129</u>
LIABILITIES		
Accounts payable	\$ 3,197	1,252
Program transfer payable	129,684	-
Accrued payroll and other expenses	<u>5,789</u>	<u>7,686</u>
Total liabilities	138,670	8,938
NET ASSETS		
Unrestricted	85,508	24,422
Temporarily restricted	<u>65,854</u>	<u>148,769</u>
Total net assets	<u>151,362</u>	<u>173,191</u>
Total liabilities and net assets	<u>\$ 290,032</u>	<u>\$ 182,129</u>

See accompanying notes.

HAGAR USA, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	\$ 164,570	\$ 88,553
Interest income	173	688
	<u>164,743</u>	<u>89,241</u>
Total unrestricted support and revenue	164,743	89,241
EXPENSES		
Program services	854,712	653,746
Management and general	88,797	64,410
Fundraising	96,428	83,508
	<u>1,039,937</u>	<u>801,664</u>
Total expenses	1,039,937	801,664
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	936,280	722,094
	<u>936,280</u>	<u>722,094</u>
Change in unrestricted net assets	61,086	9,671
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	853,365	587,465
Net assets released from restrictions		
Satisfaction of purpose restrictions	(936,280)	(722,094)
	<u>(82,915)</u>	<u>(134,629)</u>
Change in temporarily restricted net assets	(82,915)	(134,629)
Change in net assets	(21,829)	(124,958)
Net assets - beginning of year	173,191	298,149
	<u>173,191</u>	<u>298,149</u>
Net assets - end of year	<u>\$ 151,362</u>	<u>\$ 173,191</u>

See accompanying notes.

HAGAR USA, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (21,829)	\$ (124,958)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
(Increase) decrease in assets		
Unconditional promises to give	41,042	(33,042)
Other assets	580	(1,160)
Increase (decrease) in liabilities		
Accounts payable	131,629	(2,305)
Accrued payroll and other expenses	<u>(1,897)</u>	<u>4,469</u>
Net cash flows from operating activities	149,525	(156,996)
Cash - beginning of year	<u>139,927</u>	<u>296,923</u>
Cash - end of year	<u><u>\$ 289,452</u></u>	<u><u>\$ 139,927</u></u>

See accompanying notes.

HAGAR USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

Hagar USA, Inc. is part of a network of non-profit organizations around the world assisting in the work of Hagar International. Using a model based on rehabilitation, reintegration, and prevention, Hagar International helps women and children on a path of restoration and healing from pasts filled with trafficking, violence, abuse, and extreme poverty. Hagar USA is funded by contributions from governmental agencies, private foundations, and the general public. 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 are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions 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.

Promises to Give

Hagar USA considers all unconditional promises to give to be fully collectible and due within one year. Accordingly, no allowance for uncollectible promises to give is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through March 16, 2012, the date which the financial statements were available to be issued.

HAGAR USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of Hagar USA's programs and other activities have been summarized on a functional basis in the statements of activities. 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 (a member of the Hagar International network) for specific projects and programs such as the House of Smiles, for the care of children with disabilities, the Women and Children's Shelter, and the Aftercare Program, for the long-term care of women in sexually exploitative situations. The amounts sent to Hagar Afghanistan (a member of the Hagar International network) for specific projects and programs such as coalition-building and educating ministries of the government and other non-governmental organizations about human trafficking issues and aiding shelters which are serving trafficking victims in Afghanistan to increase their standard of care.

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.

Income Tax Status

Hagar USA is a nonprofit public charity under Internal Revenue Code Section 501(c)(3) and is therefore not subject to federal and state income or franchise taxes. Hagar USA's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, Hagar USA is no longer subject to such examinations for tax years before 2008.

NOTE 2 – OPERATING LEASES

Hagar USA entered into an agreement to lease office space effective December 1, 2010. The lease is \$580 per month for three years, ending November 30, 2013. Lease expense was \$6,960 and \$580 for 2011 and 2010. Future minimum rental payments are \$6,960 for 2012 and \$6,380 for 2013.

Prior to this lease Hagar USA received donated facilities valued at \$2,400 in 2010, which is included as a contribution and expense in the statements of activities.

HAGAR USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 3 – NET ASSETS

Temporarily restricted net assets at December 31, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Aftercare program	\$ -	\$ 5,378
CEO Support	10,450	-
Capacity Building	-	52,833
Foster Home	-	2,187
Nuturing Christian Commitment	6,261	364
Career Path Program	-	360
Community Learning Center	-	1,396
Women's Shelter School	-	699
Afghanistan Children's Recovery	42,524	24
Afghanistan General	613	18,098
Afghanistan Playground	-	4,467
Cambodia	112	4,320
Educational scholarships	-	28,002
Vietnam	165	12,034
U.S. Victim Services	2,414	16,042
Other	3,315	2,565
	<u> </u>	<u> </u>
Temporarily restricted net assets	<u>\$ 65,854</u>	<u>\$ 148,769</u>

HAGAR USA, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
Years ended December 31, 2011 and 2010

	Program Services	Management and General	Fundraising	2011 Total
Program transfers	\$ 818,097	\$ -	\$ -	\$ 818,097
Personnel	24,806	55,842	64,358	145,006
Conferences and meetings	115	7,372	266	7,753
Professional services	-	14,896	3,297	18,193
Supplies	1,098	3,226	4,826	9,150
Travel	6,536	-	6,731	13,267
Printing	2,093	-	6,644	8,737
Postage and shipping	778	-	6,607	7,385
Occupancy	1,114	3,271	2,575	6,960
Advertising	-	-	410	410
Other expenses	75	4,190	714	4,979
Total expenses	\$ 854,712	\$ 88,797	\$ 96,428	\$ 1,039,937
	Program Services	Management and General	Fundraising	2010 Total
Program transfers	\$ 605,198	\$ -	\$ -	\$ 605,198
Personnel	31,516	49,766	59,867	141,149
Conferences and meetings	447	3,265	298	4,010
Professional services	342	5,690	952	6,984
Supplies	1,811	1,006	1,206	4,023
Travel	9,823	-	9,301	19,124
Printing	1,623	-	5,100	6,723
Postage and shipping	567	-	3,987	4,554
Equipment	427	237	284	948
Donated facilities	1,080	600	720	2,400
Occupancy	261	145	174	580
Advertising	-	-	931	931
Other expenses	651	3,701	688	5,040
Total expenses	\$ 653,746	\$ 64,410	\$ 83,508	\$ 801,664