

HAGAR USA, INC.
FINANCIAL STATEMENTS
December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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.

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Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Hagar USA, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
February 15, 2019

HAGAR USA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash	\$ 85,494	\$ 80,470
Accounts receivable	-	1,012
Unconditional promises to give	147,634	-
Computer equipment and software - net	-	11,635
Total assets	\$ 233,128	\$ 93,117
LIABILITIES		
Accounts payable	\$ 1,458	\$ 5,862
Accrued payroll taxes	-	1,827
Total liabilities	1,458	7,689
NET ASSETS		
Without donor restrictions	69,574	83,233
With donor restrictions	162,096	2,195
Total net assets	231,670	85,428
Total liabilities and net assets	\$ 233,128	\$ 93,117

See accompanying notes.

HAGAR USA, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Contributions	\$ 173,709	\$ 182,351
In-kind services	3,075	-
Other income	178	2
	<u>176,962</u>	<u>182,353</u>
Total support and revenue	176,962	182,353
EXPENSES		
Human rights protection, recovery, and education	289,120	214,118
Management and general	97,299	129,714
Fundraising	110,938	66,031
	<u>497,357</u>	<u>409,863</u>
Total expenses	497,357	409,863
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	<u>306,736</u>	<u>211,478</u>
	306,736	211,478
Change in net assets without donor restrictions	(13,659)	(16,032)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	466,637	211,364
Net assets released from restrictions	<u>(306,736)</u>	<u>(211,478)</u>
	159,901	(114)
Change in net assets with donor restrictions	159,901	(114)
Change in net assets	146,242	(16,146)
Net assets at beginning of year	<u>85,428</u>	<u>101,574</u>
Net assets at end of year	<u>\$ 231,670</u>	<u>\$ 85,428</u>

See accompanying notes.

HAGAR USA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017

	Human Rights Protection, Recovery, and Education	Management and General	Fundraising	2018 Total
Program transfers	\$ 271,042	\$ -	\$ -	\$ 271,042
Personnel	16,992	63,540	74,660	155,192
Professional services	-	7,350	3,075	10,425
Supplies	-	180	31	211
Travel	468	9,135	2,427	12,030
Postage and shipping	-	527	-	527
Occupancy	618	2,285	1,161	4,064
Marketing and advertising	-	-	11,834	11,834
Depreciation	-	5,818	5,817	11,635
Computer software and support	-	1,234	2,057	3,291
Other expenses	-	7,230	9,876	17,106
Total expenses	\$ 289,120	\$ 97,299	\$ 110,938	\$ 497,357
	Human Rights Protection, Recovery, and Education	Management and General	Fundraising	2017 Total
Program transfers	\$ 192,615	\$ -	\$ -	\$ 192,615
Personnel	20,912	83,563	43,144	147,619
Professional services	-	10,051	-	10,051
Supplies	-	1,151	-	1,151
Travel	39	9,024	1,447	10,510
Postage and shipping	-	313	-	313
Occupancy	552	3,544	1,128	5,224
Marketing and advertising	-	-	2,158	2,158
Depreciation	-	8,593	5,818	14,411
Computer software and support	-	1,416	1,794	3,210
Other expenses	-	12,059	10,542	22,601
Total expenses	\$ 214,118	\$ 129,714	\$ 66,031	\$ 409,863

See accompanying notes.

HAGAR USA, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 146,242	\$ (16,146)
Adjustments to reconcile change in net assets to net change in cash		
Depreciation	11,635	14,411
(Increase) decrease in assets		
Accounts receivable	1,012	(572)
Unconditional promises to give	(147,634)	-
Increase (decrease) in liabilities		
Accounts payable	(4,404)	5,862
Accrued payroll taxes	(1,827)	1,827
Net change in cash	5,024	5,382
Cash at beginning of year	80,470	75,088
Cash at end of year	\$ 85,494	\$ 80,470

See accompanying notes.

HAGAR USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

Accounts Receivable

Hagar USA considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible they will be charged to operations when that determination is made.

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. Uncollectible promises are written off after management has used reasonable collection efforts and determine the promises will not be collected. At December 31, 2018, \$80,967 is due within one year and \$66,667 is due within two years.

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, 2018 and 2017 was \$58,177 and \$53,480.

HAGAR USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Hagar USA. Donated services are recorded at their estimated fair values in the period received.

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 and occupancy 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

The amount of program transfers 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 amount of program transfers 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 amount of program transfers 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 general advertising, 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, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

Advertising costs are expenses as incurred. Advertising expenses for the year ending December 31, 2018 were \$9,796. There were no advertising expenses for the year ending December 31, 2017.

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

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).

Adoption of New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Hagar USA has adjusted the presentation of these financial statements accordingly. The update has been applied retrospectively to all periods presented.

Date of Management's Review

Management has evaluated subsequent events through February 15, 2019, the date which the financial statements were available to be issued.

NOTE 2 – TRANSACTIONS WITH AFFILIATES

Hagar USA is affiliated with Hagar International and remits a portion of contributions collected annually. Total amounts for 2018 and 2017 paid to Hagar International were \$15,324 and \$12,765 which are included in program transfers in the statements of functional expenses.

NOTE 3 – OPERATING LEASES

Hagar USA entered into an agreement to lease office space effective May 25, 2015. The lease renewed annually on June 1 and required monthly rent payments of \$325. The lease expired on June 30, 2018. Hagar USA entered into a 12 month agreement to lease office space effective July 1, 2018 and requires monthly rent payments of \$350. Rent expenses for 2018 and 2017 were \$4,050 and \$3,900.

HAGAR USA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 are available for the following:

	2018	2017
Hagar International	\$ 133,334	\$ -
Hagar Cambodia	27,300	564
Hagar Vietnam	1,387	881
Hagar Afghanistan	75	750
Net assets with donor restrictions	\$ 162,096	\$ 2,195

NOTE 5 – LIQUIDITY AND AVAILABILITY

The following reflects Hagar USA's financial assets as of the date of the statement of financial position, reduced by amounts not available for general expenditures within one year of the date of the statement of financial position because of donor-imposed or other restrictions:

Financial assets at end of year	\$ 233,128
Less those unavailable for general expenditures within one year, due to:	
Donor imposed restrictions	(162,096)
Financial assets available to meet cash needs for general expenditures within one year	\$ 71,032

Hagar USA 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 USA must maintain sufficient resources to meet those responsibilities to its donors. As part of Hagar USA'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 6 – DONATED SERVICES

Donated legal services for the year ended December 31, 2018 of \$3,075 were for fundraising activities.