

**HAGAR USA, INC.**  
FINANCIAL STATEMENTS  
December 31, 2019 and 2018

## CONTENTS

Independent Auditor's Report .....	1
Statements of Financial Position.....	3
Statements of Activities .....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Hagar USA, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

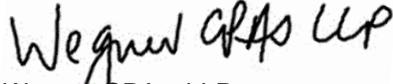
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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, 2019 and 2018, 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.

**Adoption of New Accounting Guidance**

As discussed in Note 1 to the financial statements, Hagar USA, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019. Our opinion is not modified with respect to this matter.



Wegner CPAs, LLP  
Madison, Wisconsin  
March 10, 2020

**HAGAR USA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Cash	\$ 50,716	\$ 85,494
Accounts receivable	154	-
Unconditional promises to give	81,151	147,634
Computer software (net of accumulated depreciation of \$58,177)	-	-
<b>Total assets</b>	<b>\$ 132,021</b>	<b>\$ 233,128</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 3,789	\$ 1,458
<b>NET ASSETS</b>		
Without donor restrictions	32,934	69,574
With donor restrictions	95,298	162,096
Total net assets	128,232	231,670
<b>Total liabilities and net assets</b>	<b>\$ 132,021</b>	<b>\$ 233,128</b>

See accompanying notes.

**HAGAR USA, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2019 and 2018

	2019	2018
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
REVENUES		
Contributions	\$ 192,358	\$ 223,880
In-kind services	-	3,075
Other income	-	178
Total revenues without donor restrictions	192,358	227,133
EXPENSES		
Human rights protection, recovery, and education	305,515	289,120
Management and general	92,144	97,299
Fundraising	64,195	110,938
Total expenses	461,854	497,357
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	232,856	306,736
<b>Change in net assets without donor restrictions</b>	(36,640)	36,512
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	166,058	416,466
Net assets released from restrictions	(232,856)	(306,736)
<b>Change in net assets with donor restrictions</b>	(66,798)	109,730
Change in net assets	(103,438)	146,242
Net assets at beginning of year	231,670	85,428
<b>Net assets at end of year</b>	<b>\$ 128,232</b>	<b>\$ 231,670</b>

See accompanying notes.

**HAGAR USA, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended December 31, 2019 and 2018

	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
Office	-	5,999	8,468	14,467
Travel	3,486	5,947	4,974	14,407
Marketing and advertising	-	22	10,196	10,218
Professional services	-	9,647	-	9,647
Information technology	-	2,855	984	3,839
Occupancy	600	655	500	1,755
Insurance	-	1,233	-	1,233
<b>Total expenses</b>	<b>\$ 305,515</b>	<b>\$ 92,144</b>	<b>\$ 64,195</b>	<b>\$ 461,854</b>

	2018			
	Human Rights Protection, Recovery, and Education	Management and General	Fundraising	Total
Program transfers	\$ 271,042	\$ -	\$ -	\$ 271,042
Personnel	16,992	63,540	74,660	155,192
Office	-	7,191	9,907	17,098
Travel	468	9,135	2,427	12,030
Marketing and advertising	-	-	11,834	11,834
Professional services	-	7,350	3,075	10,425
Information technology	-	1,234	2,057	3,291
Occupancy	618	1,787	1,161	3,566
Insurance	-	1,244	-	1,244
Depreciation	-	5,818	5,817	11,635
<b>Total expenses</b>	<b>\$ 289,120</b>	<b>\$ 97,299</b>	<b>\$ 110,938</b>	<b>\$ 497,357</b>

See accompanying notes.

**HAGAR USA, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (103,438)	\$ 146,242
Adjustments to reconcile change in net assets to net change in cash		
Depreciation	-	11,635
(Increase) decrease in assets		
Accounts receivable	(154)	1,012
Unconditional promises to give	66,483	(147,634)
Increase (decrease) in liabilities		
Accounts payable	2,331	(4,404)
Accrued payroll taxes	-	(1,827)
<b>Net change in cash</b>	<u>(34,778)</u>	<u>5,024</u>
Cash at beginning of year	<u>85,494</u>	<u>80,470</u>
<b>Cash at end of year</b>	<u><u>\$ 50,716</u></u>	<u><u>\$ 85,494</u></u>

See accompanying notes.

**HAGAR USA, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

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

**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 determined the promises will not be collected. All promises to give are receivable in less than one year.

**Computer Software**

Computer software is carried at cost and depreciated using the straight-line method over the useful lives of the assets. Computer software was fully depreciated at December 31, 2019 and 2018.

**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, 2019 and 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 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. The 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. The program transfers sent to Hagar Vietnam were for general support as well as other specific projects such as personal development workshops and a retreat. The 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*

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.

**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 USA 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).

**HAGAR USA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Reclassifications**

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

**Adoption of New Accounting Guidance**

On June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or contributions. The ASU also assists entities in determining whether a contribution is conditional. Hagar USA adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date.

**Date of Management’s Review**

Management has evaluated subsequent events through March 10, 2020, 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 the year ended December 31, 2019 and 2018 paid to Hagar International were \$18,862 and \$15,324, 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, 2019 and 2018 are available for the following:

	2019	2018
Hagar International	\$ 66,667	\$ 133,334
Hagar Cambodia	18,902	27,300
Grant writer	8,500	-
Hagar Vietnam	1,098	1,387
Hagar Afghanistan	131	75
Net assets with donor restrictions	\$ 95,298	\$ 162,096

**HAGAR USA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

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**NOTE 4 – OPERATING LEASES**

Hagar USA 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 years ended December 31, 2019 and 2018 were \$2,500 and \$4,050.

**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:

	2019	2018
Financial assets at end of year	\$ 132,021	\$ 233,128
Less those unavailable for general expenditures within one year, due to:		
Donor imposed restrictions	(95,298)	(162,096)
Financial assets available to meet cash needs for general expenditures within one year	\$ 36,723	\$ 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. There were no donated legal services for the year ended December 31, 2019.