

HAGAR USA, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

HAGAR USA, INC.
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statement of Hagar USA, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year 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, 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 audit 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

**INDEPENDENT AUDITORS' REPORT
(Continued)**

error, as fraud may involve collusion, forgery, intentional omissions, 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.

Other Matter

The financial statements for the year ended December 31, 2020 were audited by other auditors. Their opinion was dated April 21, 2021 and was unmodified.

Wells, CPA

Columbus, Ohio
September 26, 2022

HAGAR USA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
ASSETS						
Current Assets						
Cash	95,160	4,829	\$ 99,989	50,649	41,422	\$ 92,071
Accounts Receivable	25,497	-	25,497	162	-	162
Computer Equipment and Software, Net	246	-	246	491	-	491
Total Current Assets	<u>120,903</u>	<u>4,829</u>	<u>125,732</u>	<u>51,302</u>	<u>41,422</u>	<u>92,724</u>
TOTAL ASSETS	<u>\$ 120,903</u>	<u>\$ 4,829</u>	<u>\$ 125,732</u>	<u>\$ 51,302</u>	<u>\$ 41,422</u>	<u>\$ 92,724</u>
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts Payable	700	-	700	200	-	200
Total Current Liabilities	<u>700</u>	<u>-</u>	<u>700</u>	<u>200</u>	<u>-</u>	<u>200</u>
TOTAL LIABILITIES	<u>700</u>	<u>-</u>	<u>700</u>	<u>200</u>	<u>-</u>	<u>200</u>
NET ASSETS						
Net Assets Without Donor Restrictions	120,203	-	120,203	51,102	-	51,102
Net Assets With Donor Restrictions	-	4,829	4,829	-	41,422	41,422
TOTAL NET ASSETS	<u>120,203</u>	<u>4,829</u>	<u>125,032</u>	<u>51,102</u>	<u>41,422</u>	<u>92,524</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 120,903</u>	<u>\$ 4,829</u>	<u>\$ 125,732</u>	<u>\$ 51,302</u>	<u>\$ 41,422</u>	<u>\$ 92,724</u>

See Accompanying Notes to the Financial Statements

HAGAR USA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
REVENUE AND SUPPORT						
Individuals, Foundations, Corporations, Churches	\$ 217,192	\$ 360,802	\$ 577,994	\$ 172,675	\$ 144,690	\$ 317,365
Paycheck Protection Program	27,600	-	27,600	22,250	-	22,250
Net Assets Released from Restriction	397,395	(397,395)	-	198,566	(198,566)	-
TOTAL REVENUE AND SUPPORT	<u>642,187</u>	<u>(36,593)</u>	<u>605,594</u>	<u>393,491</u>	<u>(53,876)</u>	<u>339,615</u>
EXPENSES						
Human Rights Protections, Recovery, and Education	468,657	-	468,657	274,543	-	274,543
Management and General	28,755	-	28,755	47,892	-	47,892
Fundraising	75,674	-	75,674	52,888	-	52,888
TOTAL EXPENSES	<u>573,086</u>	<u>-</u>	<u>573,086</u>	<u>375,323</u>	<u>-</u>	<u>375,323</u>
Change in Net Assets	<u>69,101</u>	<u>(36,593)</u>	<u>32,508</u>	<u>18,168</u>	<u>(53,876)</u>	<u>(35,708)</u>
Net Assets at Beginning of Year	<u>51,102</u>	<u>41,422</u>	<u>92,524</u>	<u>32,934</u>	<u>95,298</u>	<u>128,232</u>
Net Assets at End 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>

See Accompanying Notes to the Financial Statements

HAGAR USA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Change in Net Assets	\$ 32,508	\$ (35,708)
Depreciation Expense	245	245
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used in Operating Activities		
Paycheck Protection Program Loan Forgiven	-	(22,250)
Changes in Assets and Liabilities		
Accounts Receivable	(25,335)	(8)
Unconditional Promises to Give	-	81,151
Accounts Payable	500	(3,589)
Net Cash Provided by Operating Activities	<u>7,918</u>	<u>19,841</u>
 Cash Flows from Investing Activities		
Purchase of Computer Equipment	-	(736)
Net Cash Used in Investing Activities	<u>-</u>	<u>(736)</u>
 Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program Loan	-	22,250
Net Cash Provided by Financing Activities	<u>-</u>	<u>22,250</u>
 Net Change in Unrestricted and Restricted Cash	7,918	41,355
 Unrestricted and Restricted Cash at Beginning of Year	<u>92,071</u>	<u>50,716</u>
 Unrestricted and Restricted Cash at End of Year	<u>\$ 99,989</u>	<u>\$ 92,071</u>

See Accompanying Notes to the Financial Statements

HAGAR USA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021				2020			
	Human Rights Protection, Recovery, and Education	Management and General	Fundraising	Total	Human Rights Protection, Recovery, and Education	Management and General	Fundraising	Total
EXPENSES								
Unallocated Payments to Affiliated Organizations	\$ -	\$ -	\$ -	\$ -	\$ 7,300	\$ -	\$ -	\$ 7,300
Program Transfers	425,363	-	-	425,363	228,916	-	-	228,916
Personnel	31,335	13,429	44,764	89,528	29,188	27,551	29,187	85,926
Marketing and Advertising	8,571	3,673	12,244	24,488	7,668	7,239	9,850	24,757
Office	251	303	14,186	14,740	91	991	11,488	12,570
Professional Services	-	10,006	-	10,006	-	10,550	-	10,550
Information Technology	969	415	1,384	2,768	568	795	1,551	2,914
Insurance	608	260	868	1,736	419	395	419	1,233
Travel	1,474	632	2,106	4,212	310	292	310	912
Depreciation	86	37	122	245	83	79	83	245
TOTAL EXPENSES	\$ 468,657	\$ 28,755	\$ 75,674	\$ 573,086	\$ 274,543	\$ 47,892	\$ 52,888	\$ 375,323

See Accompanying Notes to the Financial Statements

HAGAR USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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 (“US 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, 2021 AND 2020

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.

Accounts Receivable

Accounts receivable 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, 2021 and 2020, Hagar had no 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 income taxes, and accounting in interim periods. On December 31, 2021 and 2020 there were no material unrecognized tax benefits identified or recorded as liabilities.

Hagar files Form 990 in the U.S. federal jurisdiction and the state of Ohio. Hagar's federal exempt

HAGAR USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 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.

Reclassification

Certain amounts from the fiscal year ending December 31, 2020, have been reclassified to conform with the financial statement presentation for the year ending December 31, 2021. Net assets and changes in net assets are unchanged due to these reclassifications.

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 September 26, 2022, the date on which the financial statements were available to be issued.

NOTE 3 – DONOR RESTRICTED NET ASSETS

Net assets with donor restrictions were as follows for the years ending December 31:

	<u>2021</u>	<u>2020</u>
Hagar Cambodia	\$ 3,174	\$ 20,855
Hagar Hong Kong	-	15,000
Hagar Afghanistan	-	4,545
Hagar Vietnam	1,655	1,022
Total	<u>\$ 4,829</u>	<u>\$ 41,422</u>

HAGAR USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 4 – PAYCHECK PROTECTION PROGRAM

On May 1, 2020, Hagar received a \$22,250 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loan has been fully forgiven during the year ended December 31, 2020.

Hagar received a second PPP loan during 2021 for \$27,600. Hagar received notification of the loan forgiveness prior to December 31, 2021.

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 Statement of Financial Position to be financial assets.

The following reflects Hagar’s financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general expenditures within one year of the dates of the statement of financial position because of donor-imposed restrictions:

	<u>2021</u>	<u>2020</u>
Financial assets at end of year	\$ 125,486	\$ 92,233
Less those unavailable for general expenditures		
Within one year:		
Donor imposed restrictions	<u>(4,829)</u>	<u>(41,422)</u>
Financial assets available to meet cash needs for		
General expenditures within one year	<u>\$ 120,657</u>	<u>\$ 50,811</u>

HAGAR USA, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 6 – TRANSACTIONS WITH AFFILIATES
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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, 2021 and 2020 were \$0 and \$7,300, respectively. These are included in program transfers in the statements of functional expenses.