

Saving Innocence, Inc.

FINANCIAL STATEMENTS

December 31, 2019

(With Comparative Totals for December 31, 2018)

INDEPENDENT AUDITORS' REPORT

Board of Directors
Saving Innocence, Inc.

We have audited the accompanying financial statements of Saving Innocence, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 Organization'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 Organization'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 the Organization as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PULAKOS CPAs, PC

May 20, 2020

Pulakos CPAs, PC

Saving Innocence, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019

(With Comparative Totals for December 31, 2018)

Assets

	<u>2019</u>	<u>2018</u>
Current assets		
Cash	\$ 1,643,493	\$ 1,144,369
Accounts receivable, net	212,795	66,572
Other current assets	<u>4,695</u>	<u>15,181</u>
Total current assets	1,860,983	1,226,122
Property and equipment, net	11,228	15,325
Other assets	<u>800</u>	<u>800</u>
	<u>\$ 1,873,011</u>	<u>\$ 1,242,247</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 63,179	\$ 7,264
Accrued liabilities	<u>76,959</u>	<u>42,586</u>
Total current liabilities	140,138	49,850
Net assets:		
Without donor restrictions	<u>1,732,873</u>	<u>1,192,397</u>
Total net assets	<u>1,732,873</u>	<u>1,192,397</u>
	<u>\$ 1,873,011</u>	<u>\$ 1,242,247</u>

Saving Innocence, Inc.

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2019
(With Comparative Totals for December 31, 2018)

	<u>2019</u>	<u>2018</u>
Revenues, support and gains		
Contributions	\$ 1,710,223	\$ 1,275,031
Program services	1,029,166	633,118
Special event revenue	<u>73,491</u>	<u>3,622</u>
 Total revenues, support and gains	 2,812,880	 1,911,771
 Expenses		
Program	2,022,922	1,255,254
Management	101,535	63,402
Fundraising	<u>147,947</u>	<u>48,406</u>
 Total expenses	 <u>2,272,404</u>	 <u>1,367,062</u>
 Change in net assets	 540,476	 544,709
 Net assets without donor restrictions, beginning of year	 <u>1,192,397</u>	 <u>647,688</u>
 Net assets without donor restrictions, end of year	 <u><u>\$ 1,732,873</u></u>	 <u><u>\$ 1,192,397</u></u>

Saving Innocence, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019
(With Comparative Totals for December 31, 2018)

	2019			2018
	Program	Management	Fundraising	Total
Salaries	\$ 1,197,906	\$ 60,048	\$ 23,086	\$ 1,281,040
Other program	283,030	-	-	283,030
Payroll taxes and fringe benefits	151,799	7,593	2,814	162,206
Events	77,620	-	77,620	155,240
Office and supplies	79,090	7,612	5,273	91,975
Other fundraising	57,328	-	26,105	83,433
Professional fees	55,109	24,016	3,658	82,783
Occupancy	55,700	505	758	56,963
Miscellaneous	31,709	391	1,389	33,489
Travel	21,304	-	-	21,304
Insurance	12,327	1,370	-	13,697
Bank and credit card fees	-	-	7,244	7,244
Total functional expenses	<u>\$ 2,022,922</u>	<u>\$ 101,535</u>	<u>\$ 147,947</u>	<u>\$ 2,272,404</u>
				<u>\$ 1,367,062</u>

Saving Innocence, Inc.

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2019
(With Comparative Totals for December 31, 2018)

	2019	2018
Operating activities		
Change in net assets	\$ 540,476	\$ 544,709
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,097	4,884
Net changes to operating assets and liabilities		
Pledges receivable	-	25,000
Accounts receivable, net	(146,223)	43,669
Other current assets	10,486	(11,086)
Accounts payable	55,915	3,840
Accrued liabilities	34,373	4,869
Net cash provided by operating activities	499,124	615,885
Change in cash and equivalents	499,124	615,885
Cash, beginning of year	1,144,369	528,484
Cash, end of year	<u>\$ 1,643,493</u>	<u>\$ 1,144,369</u>

Saving Innocence, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 856,764	\$ 32,234	\$ 27,744	\$ 916,742
Payroll taxes and benefits	115,527	1,275	3,072	119,874
Other program	75,435	-	-	75,435
Office and supplies	57,493	7,643	2,452	67,588
Occupancy	54,516	677	602	55,795
Professional fees	27,764	19,406	3,917	51,087
Other fundraising	29,240	-	-	29,240
Travel	19,011	698	988	20,697
Insurance	8,684	965	-	9,649
Bank and credit card fees	-	-	8,209	8,209
Events	-	-	-	-
In-kind	-	-	-	-
Bad debt expense	-	-	-	-
Miscellaneous	<u>10,820</u>	<u>504</u>	<u>1,422</u>	<u>12,746</u>
 Total functional expenses	 <u><u>\$ 1,255,254</u></u>	 <u><u>\$ 63,402</u></u>	 <u><u>\$ 48,406</u></u>	 <u><u>\$ 1,367,062</u></u>

Saving Innocence, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(With Comparative Totals for December 31, 2018)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Saving Innocence, Inc. (the Organization) is a non-profit organization that works to rescue and restore victims of sex trafficking through strategic partnerships with local law enforcement, social service providers, and schools, while mobilizing communities to prevent abuse and increase neighborhood safety.

In addition to their first responder victim services, the Organization regularly engages in training and consulting services. The Organization contracts with various entities around the nation to provide both remote and onsite training on the various issues surrounding human trafficking and effective after care of victims. Clients include governmental agencies, law enforcement and nonprofits all seeking to increase their knowledge and capacity in the field.

Additionally, the Organization is engaging in public awareness activities in an effort to impact the cultural atmosphere which facilitates human trafficking. These activities include public speaking, targeted social media and the production of various media projects on this topic.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"), which require the Organization 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 the Organization's management and the board of directors.

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 the Organization 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.

Financial Instruments

The carrying amounts of cash, receivables, payables, accrued expenses, and other liabilities approximate fair value due to short maturity periods of these instruments.

Saving Innocence, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(With Comparative Totals for December 31, 2018)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment is recorded at cost or estimated fair value at date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The Organization capitalizes items over \$2,500 with an estimated useful life greater than three years.

Depreciation expense was \$4,097 and \$4,884 in 2019 and 2018.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Program service revenue

Program service revenue is recognized when earned, which is generally as services are provided.

Saving Innocence, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(With Comparative Totals for December 31, 2018)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Advertising

The Organization expenses advertising costs as they are incurred (\$2,984 and \$1,641 in 2019 and 2018)

.Donated Goods and Services

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated professional services that create or enhance non-financial assets or that require specialized skills, are recorded at their fair values in the period received. The Organization receives donations of various items used in operations. The value of donated goods recognized as in-kind revenues in the accompanying statement of activities was zero in 2019 and 2018.

Functional Allocation of Expenses

Expenses are charged directly to program and supporting services categories based on specific identification. Costs benefiting more than one program or service are allocated based on measures such as management's estimates of time spent.

Income Taxes

The Organization is a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Management believes that the activities of the Organization are within their tax-exempt purpose, and that there are no uncertain tax positions that require disclosure or recognition in the financial statements.

Subsequent Events

The Organization has evaluated all events occurring subsequent to December 31, 2019 and through May 20, 2020, which is the date that the financial statements were issued, and, if applicable, has disclosed or recognized all events occurring during this period that require either recognition or disclosure in the accompanying financial statements.

The Secretary for the California Department of Health has mandated temporary closing of businesses that were deemed non-essential and requested citizens of the State to adopt behavioral changes in response to the COVID-19 outbreak in the State. At a national and international level, government restrictions on travel and the behavioral changes by the public due to COVID-19 outbreaks across the globe are negatively impacting various industries and the related world markets. While the disruption is expected to be temporary, there is considerable uncertainty around the duration and ultimate financial impact of these actions.

Saving Innocence, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019
(With Comparative Totals for December 31, 2018)

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,643,493	\$ 1,144,369
Accounts receivable, net	<u>212,795</u>	<u>66,572</u>
Total financial assets	<u>1,856,288</u>	<u>1,210,941</u>
Financial assets available to meet cash needs for general expenditure within one year from December 31, 2019 and 2018	<u>\$ 1,856,288</u>	<u>\$ 1,210,941</u>

The Organization manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to cover current operational needs. The Organization's goal is generally to maintain a level of financial assets sufficient to cover 90 days of operating expenses. As part of its liquidity plan, the Organization is continuously evaluating the amount of cash on hand and expected to be collected within 30 days, against current financial obligations.

NOTE 3 – PROPERTY AND EQUIPMENT

	<u>2019</u>	<u>2018</u>
Office and computer equipment	\$ 24,261	\$ 24,261
Furniture and fixtures	<u>4,152</u>	<u>4,152</u>
	28,413	28,413
Less accumulated depreciation	<u>(17,185)</u>	<u>(13,088)</u>
	<u>\$ 11,228</u>	<u>\$ 15,325</u>

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were zero for the years ended December 31, 2019 and 2018. Net assets released from donor restrictions were zero and \$25,000 in December 31, 2019 and 2018.

Saving Innocence, Inc.

NOTES TO FINANCIAL STATEMENTS

**December 31, 2019
(With Comparative Totals for December 31, 2018)**

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Retirement Plan

The Organization has a 403(b) retirement plan for employees. Employees become eligible to participate after 90 days of employment. The Organization does not make any matching or discretionary contributions to this plan on the employees' behalf. Plan expenses are incurred at the plan level and therefore the Organization has incurred no expenses related to the administration of the plan.

Operating Leases

The Organization leases its operating facility under a month-to-month operating lease agreement that calls for monthly payments of \$3,700. Total rental expense was \$42,900 and \$37,200 in 2019 and 2018, respectively.

Concentrations of Risk

The Organization maintains cash balances in financial institutions, which at times exceed federally insured limits.

Major Donors

The Organization had unrestricted contributions from one major donor of approximately \$400,000 in both 2019 and 2018.

NOTE 6 – NEW ACCOUNTING PRONOUNCEMENTS

Revenue from Contracts with Customers

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Contributions Received and Contributions Made

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 – *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. The standard is applied prospectively. There were no changes to previously unrecognized promises to give as a result of this new standard.

Saving Innocence, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(With Comparative Totals for December 31, 2018)

NOTE 7 – FUTURE ACCOUNTING PRONOUNCEMENTS

Effective for its annual financial statements for 2021, the Organization is subject to new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which the Organization is lessee. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments. The qualitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.