

SAVING INNOCENCE, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

**SAVING INNOCENCE, INC.
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FOR THE YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Saving Innocence, Inc.
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Saving Innocence, Inc., which comprise the statement of financial position as of December 31, 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of Saving Innocence, Inc. as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Saving Innocence, 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 Saving Innocence, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities 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 GAAS 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Saving Innocence, 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 Saving Innocence, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2024 on our consideration of Saving Innocence, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saving Innocence, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "William Harris, CPA". The signature is written in a cursive, flowing style.

William Harris, CPA
License Number #103005
Arcadia, California
March 15, 2024

SAVING INNOCENCE, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022

ASSETS

CURRENT ASSETS

Cash and Cash Equivalent	\$ 3,127,528
Accounts Receivable, net	776,525
Other Current Assets	10,353
Total Current Assets	<u>3,914,406</u>

NONCURRENT ASSETS

Property and Equipment, net	<u>-</u>
Total Noncurrent Assets	<u>-</u>

OTHER ASSETS

Right-of-Use Asset Operating Lease	68,516
Deposits	800
Total Other Assets	<u>69,316</u>

TOTAL ASSETS

\$ 3,983,722

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 63,126
Accrued Payroll and Payroll Taxes	209,319
Operating Lease Liability, current	52,622
Total Current Liabilities	<u>325,067</u>

NONCURRENT LIABILITIES

Operating Lease Liability, net of current	18,537
Total Noncurrent Liabilities	<u>18,537</u>

Total Liabilities	<u>343,604</u>
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NET ASSETS

Net Assets Without Donor Restrictions	2,929,969
Net Assets With Donor Restrictions	710,149
Total Net Assets	<u>3,640,118</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 3,983,722

SAVING INNOCENCE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE & SUPPORT			
Contributions & Grants	\$ 1,641,947	\$ 419,905	\$ 2,061,852
Program Revenue	1,036,072	-	1,036,072
Foster Care Revenue	23,364	-	23,364
Other Income	10,039	-	10,039
Net Assets Released from Donor Restriction	321,613	(321,613)	-
Total Revenue and Support	<u>3,033,035</u>	<u>98,292</u>	<u>3,131,327</u>
OPERATING EXPENSE			
Human Trafficking Prevention Program	2,992,697	-	2,992,697
Foster Care Services	65,340	-	65,340
Management and General	368,964	-	368,964
Fundraising	145,245	-	145,245
Total Operating Expenses	<u>3,572,246</u>	<u>-</u>	<u>3,572,246</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	<u>(539,211)</u>	<u>98,292</u>	<u>(440,919)</u>
NONOPERATING ACTIVITIES			
Employee Retention Tax Credit	500,533	-	500,533
Interest Income	34,656	-	34,656
CHANGE IN NET ASSETS FROM NONOPERATING ACTIVITIES	<u>535,189</u>	<u>-</u>	<u>535,189</u>
CHANGE IN NET ASSETS	<u>(4,022)</u>	<u>98,292</u>	<u>94,270</u>
NET ASSETS – Beginning of the Year	<u>2,933,991</u>	<u>611,857</u>	<u>3,545,848</u>
NET ASSETS – End of the Year	<u>\$ 2,929,969</u>	<u>\$ 710,149</u>	<u>\$ 3,640,118</u>

SAVING INNOCENCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Activities		Supporting Activities		Total Expense
	Human Trafficking Prevention Program	Foster Care Program	Management and General	Fundraising	
OPERATING EXPENSE					
Directors' Salaries	\$ 153,184	\$ 3,629	\$ 24,498	\$ 6,847	\$ 188,158
Salaries and Wages	1,985,360	27,996	126,300	54,449	2,194,105
Payroll Taxes	166,199	3,457	11,013	3,215	183,884
Employee Benefits	164,433	2,329	10,825	3,160	180,747
Bank Fees	-	-	249	-	249
Computer Costs	6,186	318	3,113	2,059	11,676
Depreciation	2,365	-	289	380	3,034
Foster Family and Related Expenses	-	13,068	-	-	13,068
Fundraising Expenses	381	-	2,921	44,176	47,478
Liability Insurance	19,131	-	1,904	-	21,035
Miscellaneous	42,922	-	200	179	43,301
Office Expenses	137,948	8,819	22,929	6,407	176,103
Occupancy	63,313	1,854	10,604	10,482	86,253
Professional Fees	25,427	-	152,372	13,492	191,291
Program Expenses	209,154	542	596	114	210,406
Travel	16,694	3,328	1,151	285	21,458
TOTAL OPERATING EXPENSES	\$ 2,992,697	\$ 65,340	\$ 368,964	\$ 145,245	\$ 3,572,246

SAVING INNOCENCE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FROM OPERATING ACTIVITIES:

Change in Net Assets	\$	94,270
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Adjustments to Reconcile Change in Net Assets to

Net Cash Provided / (Used) by Operating Activities:

Depreciation		3,034
Change in Accounts Receivable		(103,284)
Change in Other Current Assets		(3,855)
Change in Measurement of Operating Lease		2,643
Change in Accounts Payable		18,842
Change in Accrued Payroll and Payroll Taxes		98,244
Net Cash Provided / (Used) by Operating Activities		109,894

CASH FROM INVESTING ACTIVITIES:

None		-
Net Cash Provided / (Used) by Investing Activities		-

CASH FROM FINANCING ACTIVITIES:

None		-
Net Cash Provided / (Used) by Financing Activities		-

NET INCREASE / (DECREASE) IN CASH		109,894
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CASH – Beginning of the Year		3,017,634
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CASH – Ending of the Year	\$	3,127,528
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Supplemental Information

Interest Paid	\$	-
Taxes Paid	\$	-

SAVING INNOCENCE, INC.
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1: NATURE OF OPERATIONS

Saving Innocence, Inc. (the Organization) was incorporated as a California nonprofit corporation on September 23, 2010. The Organization's mission is to protect human worth by confronting exploitation. It serves victims of all forms of trafficking through strategic partnerships with local law enforcement, social service providers, community organizations and government organizations.

Saving Innocence, Inc. is at the front lines of the fight against human trafficking, in partnership with the Los Angeles Probation Department, the Department of Children and Family Services, law enforcement and others. It is on-call 24 hours a day and promptly responds when victims are identified. Its professional staff travels to the location of the interventions, conducts a crisis assessment, and begins case management and advocacy for the victim immediately.

Saving Innocence, Inc. co-leads the Los Angeles Regional Human Trafficking Task Force in partnership with the Los Angeles Sheriff's Department with a mission to increase victim identification, strengthen investigation and prosecution of labor and sex trafficking cases, and to address the individualized needs of trafficking victims through provision of comprehensive services. In addition, it offers training to law enforcement to better equip them at identifying trafficking and effectively working with the clients. Overall, the Organization provides training to community-based organizations, local governments, professionals, and volunteers nationwide.

Saving Innocence, Inc. also operates a foster family program that offers foster care for abused, neglected, and abandoned children through services delivered by private families. The foster parents are trained, supervised, and supported by the Organization's staff. The children also receive ongoing counseling from the Organization. The goal of the program is to have the children reach and maintain a level of behavior which will allow them the opportunity to function productively in society.

The Organization is funded primarily through contracts and grants funded by the federal government, State of California Department of Children and Family Services, and various corporations and individuals.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

SAVING INNOCENCE, INC.
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the Organization and changes therein are classified as follows:

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. The Organization's Board of Directors may designate assets without restrictions for specific operational purposes from time to time.

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 statement of activities.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Nonoperating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported time. Actual results could differ from those activities.

SAVING INNOCENCE, INC.
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. At times during the year, the Organization maintains cash balances in excess of the FDIC-insurance limits. The Organization has not incurred losses related to these investments and management believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Contributions and grants are stated at the amount management expects to collect from services provided, which approximates fair value. Accounts receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The accounts receivable balance for the year ended December 31, 2022 was \$776,525.

Allowance for Doubtful Accounts

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Based on management's evaluation, the Organization believes that an allowance for doubtful accounts is not considered necessary as of December 31, 2022; however, actual write-offs may occur.

Property and Equipment

Property and equipment in excess of \$5,000 are capitalized and stated at cost or estimated fair value at date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets.

The costs of repairs and maintenance are charged to expenses as incurred, significant renewals and betterment costs are capitalized. When an asset is sold, or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recognized in current income.

SAVING INNOCENCE, INC.
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Organization's revenue is generated through the performance of services for government entities under various contracts for which they are paid a fixed fee or on a cost-reimbursement basis. Revenue is recognized when the Organization has overcome the right of return/release and barriers which entitle it to the assets. Accounts receivables are recorded when revenue earned under a contract exceeds the cash received. Conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions.

Donated Services and Materials

The Organization may utilize the services of volunteers throughout the year. The contribution of services by volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the year ended December 31, 2022 did not meet the requirements above; therefore, no amounts were recognized in the financial statements.

Functional Classification of Expenses

The Organization reports its expenses on a functional basis. Expenses that can be specifically identified as program services or management and general are charged directly to that classification. Other expenses that are common to both classifications are allocated based on various relationships. Expenses that are allocated include salaries and wages, payroll taxes, employee benefits, office supplies, telephone, occupancy, and insurance which are allocated based on measures such as management's estimates of time spent.

Advertising Costs

The cost of advertising is expensed when incurred or when the first advertising takes place. The Organization does not participate in direct-response advertising, which requires the capitalization and amortization of related costs.

SAVING INNOCENCE, INC.
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c) (3) and California Revenue and Taxation Code Section 23701 (d). Accordingly, no provision for income taxes has been made in these financial statements.

The Organization's Returns of Organization Exempt from Income Tax are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed. The Organization believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Recently Adopted Accounting Standards

On January 1, 2022, the Company adopted ASU 2020-05, *Leases (Topic 842)*. The ASU changed the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the balance sheet and disclosing key information about leasing arrangements. The Organization elected to apply the ASU at the beginning of the period using a modified retrospective approach.

NOTE 3: LIQUIDITY

The Organization's financial assets available for general expenditure within one year from the date of statement of financial position were the following:

Cash and cash equivalents	\$ 3,127,528
Accounts receivable, net	<u>776,525</u>
	3,904,053
Net assets with donor restrictions	<u>(710,149)</u>
 Total financial assets available for general expenditure within one year from December 31, 2022	 <u><u>\$ 3,193,904</u></u>

SAVING INNOCENCE, INC.
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 4: ACCOUNTS RECEIVABLE

Account receivable consisted of the following at December 31, 2022:

Contracts receivable	\$ 246,294
Contributions and grants receivable	<u>530,231</u>
 Total accounts receivable	 <u><u>\$ 776,525</u></u>

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022:

Office and computer equipment	\$ 24,261
Furniture and fixtures	<u>4,152</u>
	28,413
Accumulated depreciation	<u>(28,413)</u>
 Property and equipment	 <u><u>\$ -</u></u>

The depreciation expense for the year ended December 31, 2022 was \$3,034.

NOTE 6: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were the following at December 31, 2022:

Time restricted	\$ 374,514
Specific program services	<u>335,635</u>
 Total net assets with donor restrictions	 <u><u>\$ 710,149</u></u>

Net assets released from donor restrictions was \$321,613 for the year ending December 31, 2022.

SAVING INNOCENCE, INC.
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 7: LEASE COMMITMENTS

The Organization leases its office building in Los Angeles, California. The lease expires in April 2024.

As disclosed in Note 2, the Organization adopted FASB ASC 842 during the year, which required the recognition of right-of-use assets and lease liabilities in its balance sheet. As a practical expedient permitted under Topic 842, the Organization elected to apply the short-term lease exception to all leases with a term of one year or less. The short-term lease costs do not reflect the Organization's ongoing short-term lease commitments. Lease expense is recognized on a straight-line basis over the lease term and is recorded in Rent on the statement of activities.

As of December 31, 2022, the right-of-use (ROU) asset had a balance of \$68,516 and the operating lease liability had a balance of \$71,159. The lease asset and liability were calculated using a present value discount rate of 1.63%, the risk-free rate at the time of inception.

The maturities of lease liabilities as of December 31, 2022 are the following:

Year 2023	\$ 53,400
Year 2024	18,600
Total lease commitments	72,000
Imputed interest	(841)
Total lease liability	<u>\$ 71,159</u>

Rent expense for the year ended December 31, 2022 was \$54,366.

NOTE 8: FOSTER CARE REVENUE

The Organization receives most of its foster care payments for its children mainly from various counties. Such funds have been passed through the State of California Department of Social Services as fee for service. A portion of the funds originated from the Aid to Family with Dependent Children – Foster Care (AFDC-FC) program. The AFDC-FC program is a federal entitlement program through Title IV-E of the Social Security Act. The funds received by the Organization represent a portion of the total revenue for the year ended December 31, 2022.

SAVING INNOCENCE, INC.
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9: RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan for eligible employees. Employees become eligible to participate in the plan after 90 days of employment. Participants may elect to defer compensation up to the deferral limits for 401(k) plan. The Organization has elected to make a matching contribution equal to 100% of the first 5% of compensation deferred for each participant. During the year ended December 31, 2022, the Organization's matching contributions and administrative costs for the plan were \$27,142.

NOTE 10: COMMITMENTS & CONTINGENCIES

The Organization grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether the program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these government audits, cannot be reasonably estimated and, accordingly, the Organization has no provisions for the possible disallowance of program costs on its financial statements.

NOTE 11: SUBSEQUENT EVENTS

Events subsequent to December 31, 2022 have been evaluated through March 15, 2024, the date at which the financial statements were available to be issued. The Organization is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.