

ECPAT-USA, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018

ECPAT-USA, INC.

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Bonamassa, Maietta & Cartelli, LLP
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
ECPAT-USA, Inc.

We have audited the accompanying financial statements of ECPAT-USA, Inc. which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statement of activities, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Managements' 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 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 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 ECPAT-USA, Inc. as of December 31, 2018 and 2017 and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bonamassa, Maietta & Cartelli, LLP

Bonamassa, Maietta & Cartelli, LLP
Certified Public Accountants

April 1, 2019

ECPAT-USA, INC.
EXHIBIT A
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

| | 2018 | 2017 |
|---|------------|------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 690,066 | \$ 609,250 |
| Promises to give: | | |
| without donor restrictions | 32,045 | 36,647 |
| with donor restrictions | - | 5,000 |
| Program revenue receivable | 26,000 | 13,903 |
| Prepaid expenses and other current assets | 76,233 | 29,874 |
| Furniture & equipment, net | | |
| of allowance for depreciation | 7,600 | 3,255 |
| Security deposits | 2,350 | 2,350 |
| TOTAL ASSETS | \$ 834,294 | \$ 700,279 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Accounts payable and accrued expenses | \$ 17,889 | \$ 23,301 |
| Total liabilities | 17,889 | 23,301 |
| Commitments and contingencies | | |
| Net assets: | | |
| Without donor restrictions | 808,826 | 639,076 |
| With donor restrictions | 7,579 | 37,902 |
| Total net assets | 816,405 | 676,978 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 834,294 | \$ 700,279 |

See notes to financial statements.

ECPAT-USA, INC.
EXHIBIT B
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

| | 2018 | 2017 |
|---|------------|------------|
| Changes in Net Assets Without Donor Restrictions | | |
| Public Support and Revenue | | |
| Contributions | \$ 478,749 | \$ 557,193 |
| In-Kind Contributions | 91,866 | 64,227 |
| Interest | 219 | 221 |
| Program fees | 41,324 | 34,591 |
| Unrealized gains | 18,318 | - |
| Other Revenue | 45,175 | 23,150 |
| Total revenues and gains without donor restrictions | 675,651 | 679,382 |
| Net assets released from restrictions | | |
| Satisfaction of time and program restrictions | 145,323 | 174,168 |
| Total Public Support and Revenue without donor restrictions | 820,974 | 853,550 |
| Expenses | | |
| Program Services | | |
| Public Education | 454,975 | 395,810 |
| Supporting Services | | |
| Management and General | 60,910 | 42,196 |
| Fundraising | 135,339 | 108,152 |
| Total Supporting Services | 196,249 | 150,348 |
| Total Expenses | 651,224 | 546,158 |
| Increase in Net Assets without donor restrictions | 169,750 | 307,392 |
| Changes in Net Assets with donor restrictions | | |
| Contributions | 115,000 | 77,500 |
| Net Assets Released from Restrictions | (145,323) | (174,168) |
| Decrease in Net Assets with donor restrictions | (30,323) | (96,668) |
| Increase in net assets | 139,427 | 210,724 |
| Net assets, Beginning of Year | 676,978 | 466,254 |
| Net Assets, End of Year | \$ 816,405 | \$ 676,978 |

See notes to financial statements.

ECPAT-USA, INC.
EXHIBIT C
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31,

| | PROGRAM SERVICES | SUPPORTING SERVICES | | | 2017 Total |
|------------------------------------|------------------|---------------------|------------------------|-------------|------------|
| | | Public Education | Management and general | Fundraising | |
| Salaries | \$ 236,929 | \$ 28,431 | \$ 50,545 | \$ 315,905 | \$ 299,472 |
| Fringe benefits and taxes | 45,461 | 5,455 | 9,698 | 60,614 | 55,957 |
| Rent and related items | 23,630 | 2,836 | 5,041 | 31,507 | 29,613 |
| Contract services | 37,760 | - | - | 37,760 | 8,000 |
| Grants and awards | 50,000 | - | - | 50,000 | 11,579 |
| Telephone & equipment rental | 7,495 | 899 | 1,599 | 9,993 | 8,532 |
| Postage and messenger | 970 | 116 | 207 | 1,293 | 2,169 |
| Office expenses | 3,729 | 447 | 796 | 4,972 | 7,719 |
| Event & meeting expenses | 3,985 | - | 57,697 | 61,682 | 58,163 |
| Printing | 3,473 | 417 | 741 | 4,631 | 3,923 |
| Insurance | 3,502 | 420 | 748 | 4,670 | 4,591 |
| Professional fees | - | 19,632 | - | 19,632 | 16,267 |
| Travel | 25,593 | 1,505 | 3,011 | 30,109 | 21,106 |
| Publications and videos | 6,173 | - | - | 6,173 | 8,000 |
| Advertising | - | - | 3,917 | 3,917 | 927 |
| Other expenses | 5,396 | 647 | 1,151 | 7,194 | 9,219 |
| Total expenses before depreciation | 454,096 | 60,805 | 135,151 | 650,052 | 545,237 |
| Depreciation | 879 | 105 | 188 | 1,172 | 921 |
| Total Expenses, 2018 | \$ 454,975 | \$ 60,910 | \$ 135,339 | \$ 651,224 | \$ 546,158 |
| Total Expenses, 2017 | \$ 395,810 | \$ 42,196 | \$ 108,152 | | |

See notes to financial statements.

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Certified Public Accountants

ECPAT-USA, INC.
EXHIBIT D
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

| <u>CASH FLOWS FROM OPERATING ACTIVITIES:</u> | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Increase in net assets | \$ 139,427 | \$ 210,724 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Depreciation | 1,172 | 921 |
| (Increase) decrease in: | | |
| Promises to give | 9,601 | 23,735 |
| Programs receivable | (12,097) | 18,847 |
| Prepaid expenses & other current assets | (46,359) | (19,670) |
| Decrease in: | | |
| Accounts payable and accrued expenses | <u>(5,412)</u> | <u>(12,560)</u> |
| Net cash provided by operating activities | <u>86,332</u> | <u>221,997</u> |
| <u>CASH FLOWS USED IN INVESTING ACTIVITIES:</u> | | |
| Acquisition of equipment and furniture | <u>(5,516)</u> | <u>(3,585)</u> |
| Net cash used in investing activities | <u>(5,516)</u> | <u>(3,585)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 80,816 | 218,412 |
| CASH AND CASH EQUIVALENTS, January 1 | <u>609,250</u> | <u>390,838</u> |
| CASH AND CASH EQUIVALENTS, December 31 | <u>\$ 690,066</u> | <u>\$ 609,250</u> |

See notes to financial statements.

ECPAT-USA, INC.
EXHIBIT E

STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

| | NET ASSETS WITHOUT DONOR RESTRICTIONS | NET ASSETS WITH DONOR RESTRICTIONS | TOTALS | |
|-----------------------------|---|--|-------------------|-------------------|
| | | | 2018 | 2017 |
| Net assets, January 1, | \$ 639,076 | \$ 37,902 | \$ 676,978 | \$ 466,254 |
| Revenue | 675,651 | 115,000 | 790,651 | 756,882 |
| Expenses and grants | (651,224) | - | (651,224) | (546,158) |
| Interfund transfers | 145,323 | (145,323) | - | - |
| Net assets, December 31, | <u>\$ 808,826</u> | <u>\$ 7,579</u> | <u>\$ 816,405</u> | <u>\$ 676,978</u> |

See notes to financial statements.

Bonamassa, Maietta & Cartelli, LLP
Certified Public Accountants

ECPAT-USA, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 **Organization and Summary of Significant Accounting Policies**

a. Organization

ECPAT-USA, Inc. (the “Organization”) is a not-for-profit organization committed to ending child prostitution, child pornography and trafficking of children for sexual purposes. It conducts policy development and advocacy, research, and awareness raising activities to protect children trafficked into the U.S., American children who are trafficked and foreign children exploited by Americans who travel abroad.

b. Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Organization adopted ASC 2016 – 14 effective December 31, 2018. Under ASC 2016 – 14 effective December 31, 2018, the organization is required to report information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to board or donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time.

c. Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

d. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increase in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

ECPAT-USA, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 Organization and Summary of Significant Accounting Policies – continued:

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

e. Property and Equipment

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five years for equipment and seven years for furniture. There were no donor imposed restrictions on property and equipment as of December 31, 2018.

f. Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

g. Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

ECPAT-USA, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 **Organization and Summary of Significant Accounting Policies – continued:**

h. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i. Tax Status

ECPAT-USA, Inc. is a not-for-profit organization, exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

j. Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits and occupancy which are allocated on the basis of estimates of time and effort.

k. Concentration of Credit Risk

ECPAT-USA, Inc. does not have a material concentration of credit risk, with respect to unrestricted promises to give, due to generally short payment terms.

The Association maintains cash balances with one banking institution in excess of the Federal Deposit Insurance Corporation (FDIC) limits. The organization has not experienced any losses on its cash accounts.

NOTE 2 **Restrictions On Net Assets**

Educational Programs

The Organization's net assets with donor restrictions as of December 31, 2018 is \$7,579 and it consists of donations specifically used for various educational programs. These funds will be disbursed in the 2019 year for the specific programs in which they were intended by the donor.

ECPAT-USA, INC.
FINANCIAL STATEMENTS
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NOTE 3 **Promises to Give**

Promises to give without donor restrictions consist of donations and are due in less than one year.

NOTE 4 **Liquidity and Availability Of Financial Assets**

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Financial assets at year-end | \$ 748,111 | \$ 664,800 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Donor restricted contributions | <u>7,579</u> | <u>37,902</u> |
| Financial assets available to meet cash needs for general expenditure within one year | \$ <u>740,532</u> | \$ <u>626,898</u> |

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments.

NOTE 5 **Fair Values of Financial Instruments**

The estimated fair value of the organization's financial instruments, none of which are held for trading purposes, as of December 31, 2018, are as follows:

| | <u>Carrying Amount</u> | <u>Fair Value</u> |
|--------------------|------------------------|-------------------|
| Financial assets: | | |
| Cash | \$ 690,066 | \$ 690,066 |
| Promises to give | 32,045 | 32,045 |
| Program receivable | 26,000 | 26,000 |

The following methods and assumptions were used by the organization estimating its fair value disclosures for financial instruments:

ECPAT-USA, INC.
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NOTE 5 **Fair Values of Financial Instruments - continued**

Cash, unrestricted promises to give and program receivable. The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

NOTE 6 **Property and Equipment**

Property and equipment consist of the following at December 31:

| | 2018 | 2017 |
|--------------------------------|-----------|-----------|
| Equipment | \$ 13,529 | \$ 12,278 |
| Furniture & Fixtures | 9,658 | 5,394 |
| | 23,187 | 17,672 |
| Less: Accumulated Depreciation | (15,587) | (14,417) |
| | \$ 7,600 | \$ 3,255 |

Depreciation expense amounted to \$1,172 in 2018 and \$921 in 2017.

NOTE 7 **Commitments and Contingency**

- a. The organization occupies office space under a lease expiring November 30, 2019. The lease provides for minimum annual rental payments through the period ending November 30, 2019 as follows:

Year Ending December 31,

| | |
|------|----------|
| 2019 | \$26,257 |
|------|----------|

Rent Expense for the years ended December 31, 2018 and 2017 was \$28,867 and \$28,296, respectively.

- b. Government grants are subject to audit by the appropriate agency.

ECPAT-USA, INC.
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NOTE 8 **Non-Cash Donations**

The organization received the following non-cash donations which have been reflected in the financial statements as of December 31,

| | <u>2018</u> | <u>2017</u> |
|------------------------------|----------------------|----------------------|
| Furniture & Fixtures | \$ 3,750 | \$ 3,586 |
| Auction & Raffle Donations | 35,383 | 33,481 |
| Travel Rewards | <u>30,421</u> | <u>27,160</u> |
| Total non-cash donations | \$ <u>69,554</u> | \$ <u>64,227</u> |

NOTE 9 **Unrealized Gains**

Unrealized gains consists of the increase in value of travel award points previously donated to the organization.

NOTE 10 **Evaluation of Subsequent Events**

The Organization has evaluated subsequent events through April 1, 2019, the date which the financial statements were available to be issued.