



WILLIAMS
ACCOUNTANCY CORPORATION

**Willow International
Financial Report
For Year Ended December 31, 2021**

March 15, 2023

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WILLIAMS
ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
Willow International
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of Willow International, which comprise the statements of financial position as of December 31, 2021, 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.

Auditor's 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 auditor's judgement, 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 Willow International as of December 31, 2021, and the results of 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.

Newport Beach, California
March 15, 2023

Willow International

**Statement of Financial Position
As of December, 31, 2021**

Assets	
Cash	\$ 648,829
Contributions receivable (Notes 1 and 4)	265,976
Grants and contracts (Note 1)	-
Prepaid expenses	-
Total assets	\$ 914,805
Liabilities and Net Assets	
Liabilities	
Payroll payable	\$ -
Accrued liabilities	42,353
Total liabilities	
Net Assets	
Without donor restrictions	815,952
With donor restrictions (Notes 1 and 5)	56,500
Total net assets	872,452
Total liabilities and net assets	\$ 914,805

See notes to the financial statements

Willow International

**Statement of Activities
Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
Revenue and other support:			
Contributions (Notes 3 and 4)	\$ 1,606,765	\$ -	\$ 1,606,765
In-kind donations (Notes 1 and 2)	41,844		41,844
Grants and contracts	-		-
Net assets released from restrictions:			
Satisfaction of program restrictions	179,322	(179,322)	-
Total revenues and other support	<u>1,827,931</u>	<u>(179,322)</u>	<u>1,648,609</u>
Expenses:			
Program expenses	1,319,561		1,319,561
General and administrative	91,714		91,714
Fundraising expenses	44,905		44,905
Total expenses	<u>1,456,180</u>	<u>-</u>	<u>1,456,180</u>
Change in net assets from operations	371,751	(179,322)	192,429
Net assets, beginning of year	<u>444,201</u>	<u>235,822</u>	<u>680,023</u>
Net assets, end of year	<u>\$ 815,952</u>	<u>\$ 56,500</u>	<u>\$ 872,452</u>

See notes to the financial statements

Willow International

**Statement of Functional Expenses
Year Ended December 31, 2021**

Description	Program Expenses	Management and General	Fundraising Expenses	Total
Uganda program grant	\$ 1,017,003			\$ 1,017,003
Salaries and taxes	148,856	44,070		192,926
Events and marketing materials	-		38,712	38,712
Photo/video content	1,150			1,150
Insurance	14,432			14,432
Monitoring and evaluation	5,813			5,813
Program consultant	84,893			84,893
Other	29,991	10,048		40,040
Travel	17,423			17,423
Software/IT	-	1,769	6,193	7,961
Bank charges		4,356		4,356
Legal and professional		31,471		31,471
Total expenses	\$ 1,319,561	\$ 91,714	\$ 44,905	\$ 1,456,180

See notes to the financial statements

Willow International

Statement of Cash Flows
Year Ended December 31, 2021

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Cash flows from operating activities	
Cash received from donors	\$ 1,900,175
Cash received from grants and contracts	-
Cash paid for services	(316,428)
Cash paid for program expenses	(1,277,218)
Net cash provided by (used in) operating activities	<hr/> 306,529
Net increase (decrease) in cash	306,529
Cash, beginning of year	<hr/> 342,300
Cash, end of year	<hr/> <hr/> \$ 648,829

See notes to the financial statements

Willow International

Notes to Financial Statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations: Willow International (the Organization) is an independent, nonprofit organization established to restore the lives of those victimized by human trafficking and transform the systems that enable trafficking to flourish. The Organization's work delivers a holistic Aftercare Program serving survivors of human trafficking in Uganda, with reach across that country and internationally. The goal of the Organization is to disrupt the complex pathways and determinants of trafficking, and to bring full restoration to survivors of human trafficking; preventing their re-victimization, reconciling family and community relationships, and meaningfully supporting their resettlement into communities of origin with relatives who will provide ongoing support. Established in 2015, the Organization has made unparalleled headway in the fight against human trafficking and has become the preeminent advocate for prevention and restorative care throughout Sub-Saharan Africa. The Organization's residential and community-based aftercare programming has directly impacted 944 survivors to date. These services are provided within three specialized residential facilities and through community-based care in collaboration with other nonprofit organizations, community leaders and the Ugandan Human Trafficking Task Force to implement prevention programs focused on advocacy, awareness, education, and community engagement. The Organization has been funded by grants from various public and private organizations and individual donations.

A summary of significant accounting policies is as follows:

Basis of accounting and reporting: The financial statements for the Organization are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) on the basis of net assets without donor restrictions and net assets with donor restrictions under the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Net assets with donor restrictions consist of contributed funds subject to restrictions contingent upon specific performance of a future event or a specified passage of time. Net assets may also be subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, usually for the purpose of generating investment income to fund current operations.

Contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions, depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions. Contributions and grants received with donor-imposed restrictions that are satisfied within the same reporting period are reported as revenue and support without donor restrictions in that period.

The Organization has \$914,805 of financial assets available within one year of the statements of financial position date to meet cash needs for general expenditure, consisting of cash, contributions receivable and grants and contracts receivable. As of December 31, 2021, \$56,500 of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statements of financial position date. The contributions receivable is subject to implied time restrictions but are expected to be collected within one year. The Organization has a goal to maintain financial assets that consist of cash on hand to meet 60 days of normal operating expenses.

Willow International

Notes to Financial Statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Cash: The Organization maintains one bank account at Union Bank, with funds insured by the Federal Deposit Insurance Corporation (FDIC). The Organization's account at this institution may, at times, exceed FDIC-insured limits. The Organization has not experienced any losses in such account.

Revenue recognition: Contributions made by individuals are recognized at the time of the contribution or the time of the pledge, whichever is sooner. Contributions are recorded at fair market value at the date of contribution. Contributions are recognized at fair value as revenue when received or unconditionally promised. Grants awarded for outreach activity and other sponsored activities represent exchange transactions. Grants and contracts awarded for outreach activity and other sponsored activities are recognized to the extent of costs incurred, as provided for in the grants and contracts. Amounts received in excess of expenses would be recorded as deferred revenue, as any unspent amounts are refundable to the grantors. The Organization has no deferred revenue on December 31, 2021.

Contributions receivable: During the year ended December 31, 2021, there were pledges prior to year-end, with the funds not being received by the Organization until after year-end. These contributions were properly recorded in the year pledged. As of December 31, 2021, there was \$265,976 of contributions receivable, none of which were due from members of the Board of Directors (see Note 4). The Organization considered an allowance for uncollectible receivables but determined that none was necessary as of December 31, 2021.

Grants and Contracts receivable: During the year ended December 31, 2021, there were grants and contracts awarded prior to year-end, with the funds not being received by the Organization until after year-end. These grants and contracts were properly recorded in the year earned. As of December 31, 2021, there were no grants and contracts receivable. The Organization considered an allowance for uncollectible receivables but determined that none was necessary as of December 31, 2021.

In-kind donations: Contributed services that create or enhance nonfinancial assets are recorded at either the fair value of the services received or the fair value of the asset enhancement resulting from the services. Volunteers provided services throughout the year for the Organization that did not meet the revenue recognition criteria.

Program expenses: The Organization engaged a program consultant who works directly with the Executive Director and serves as a liaison to the U.S. headquarters office. The program consultant is responsible for management of the Organization's operations, monitoring and evaluation, and financial management. The program consultant oversees the functions that support the programs but does not relate directly to program participants.

An additional program consultant was engaged by the Organization to focus on developing, overseeing, and consulting on all programs for the Organization. The program consultant is responsible for developing staff care materials, compiling training resources, training on therapeutic activities and staff debriefing. The program consultant works closely with all staff to ensure cohesion and accountability in all programmatic matters. The Organization also contracted with an outside consultant to assist with grant writing services and to act as a marketing and communications liaison. During the year ended December 31, 2021, \$84,893 was paid to the program consultants.

The Organization has two programs that allow funding to Willow International Ltd. (sister entity in Uganda described below). This funding is used to prevent human trafficking, rescue victims, and provide aftercare to survivors in Uganda.

Willow International

Notes to Financial Statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Income taxes: The Organization is a qualified nonprofit organization that is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. This exemption is for all income taxes except for those assessed on unrelated business income (UBI), if any. In order to maintain that status, the Organization is precluded from making certain expenditures, principally in support of political parties. Management believes that no such expenditures have been made.

The Organization adopted accounting guidance relating to accounting for uncertainty in income taxes, which is primarily codified in Financial Accounting Standards Board (FASB) Accounting Standards Codification 740. The Organization files a Form 990 (Return of Organization Exempt From Income Tax) annually. When these returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the tax position taken or the amount of the position that would ultimately be sustained. Examples of tax positions common to the Organization include such matters as the tax-exempt status of the entity and various positions relative to potential sources of UBI. UBI is reported on Form 990-T, as appropriate. The benefit of tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Tax positions are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely to be realized on settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying statements of financial position, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. As of December 31, 2020, the Organization has addressed uncertainty in its income tax position under the guidance and there are no unrecognized/derecognized tax benefits requiring an accrual.

Forms 990 that are filed by the Organization are subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Management believes that the Forms 990 have been filed appropriately.

Recent accounting pronouncements: In May 2014, The FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Organization has implemented a transition method and has evaluated the effect that the standard has on its financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on certain cash receipts and cash payments should be presented and classified in the statement of cash flows, with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for the Organization on January 1, 2019. The organization has adopted this guidance and implemented the changes for cash receipts and cash payments.

Willow International

Notes to Financial Statements

Note 1. Nature of Operations and Summary of Significant Accounting Policies

In June 2018, the FASB issued ASU 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution), and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than nonprofits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the Organization is a resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The organization has adopted this guidance and implemented the changes for contributions received.

Note 2. In-Kind Donations

During the years ended December 31, 2021 the following services and materials were donated to the Organization by various parties:

	2021
Salaries and benefits*	\$ 35,635
Other	6,209
	<u>\$ 41,844</u>

* Includes salaries and benefits for executive director.

As of June 14, 2021, the Executive Director's salary will be paid from the funds of Willow International, Inc. and is no longer an in-kind donation.

Note 3. Concentrations of Credit Risk

Revenues include revenue concentrations from certain grantors (each of which accounted for 10% or more of the total revenues of the Organization for the year). The following is a summary of the contributions revenue for the years ended December 31, 2021:

Grantor	2021
Anonymous*	\$ 500,010
Global Funds to End Modern Slavery	318,559
Other **	200,000
	<u>\$ 1,018,569</u>

* Individual donors requested to be anonymous for the purposes of the annual audit.

** Revenues received from grantors that individually represent less than 10% of total contributions.

Willow International

Notes to Financial Statements

Note 4. Related-Party Transactions

Related-party transactions, made in the ordinary course of business, as of and for the year ended December 31, 2021, includes transactions with Board of Directors' members, entities where Board of Directors' members are in a management position and a sister entity.

Members of the Organization's Board of Directors contributed approximately \$15,675 during the year ended December 31, 2021.

Entities where a member of the Organization's Board of Directors is in a management position contributed approximately \$41,844 of in-kind support and an additional \$0 in corporate donations during the year ended December 31, 2021, of which \$0 is recorded as a contribution receivable as of December 31, 2021.

Willow International, Ltd. is a legally separate sister entity located in Uganda. The Organization sends funds to Willow International, Ltd. on a monthly basis to help cover program expenses. During the year ended December 31, 2021, \$1,017,003 was funded by the organization.

Note 5. Net Assets and Donor Restrictions

Net assets with donor restrictions as of December 31 were as follows:

	2021
UBS Optimus Foundation	<u>\$ 56,560</u>
	<u>\$ 56,560</u>

Note 6. Subsequent Events

The Organization has evaluated subsequent events through March 15, 2023, the date on which the financial statements were available to be issued. On August 6, 2021, the Board of Directors of Willow International and 10ThousandWindows approved a merger of the two organizations. While the vote of both boards did not officially merge the two organizations on that date, the agreement set up a joint board where the same individuals make up the Board of 10ThousandWindows and Willow, respectively. The Board wanted to operate immediately in the spirit of the merger, while holding off on the official merger (filing with the State of California and IRS). Details and date of the official merger are to be set by the new Board of Directors. It is anticipated that the official merger will take place by the end of 2023.