

PILLARS OF HOPE, INCORPORATED

**AUDITED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2020

BENCHWORTH

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pillars of Hope, Incorporated

I have audited the accompanying statement of financial statements of Pillars of Hope, Incorporated (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, cash flows and functional expenses 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pillars of Hope, Incorporated as of December 31, 2020, 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.

A handwritten signature in black ink that reads "Joseph Guebara, CPA".

Antioch, California
August 16, 2021

Pillars of Hope, Incorporated
Statement of Financial Position
As of December 31, 2020

Assets	Amount
<i>Current Assets</i>	
Cash and cash equivalents	\$ 19,994
Investments - mutual funds	25,623
Accounts receivable	7,070
Total current assets	52,687
 <i>Fixed Assets</i>	
Property and equipment, net	563
<i>Other Noncurrent Assets</i>	
	9,605
Total assets	\$ 62,855
 Liabilities and Net Assets	
<i>Current Liabilities</i>	
Current liabilities other than accounts payable	\$ 3,561
<i>Net Assets Without Donor Restrictions:</i>	
Undesignated	28,328
Designated by the Board	30,966
Total net assets	59,294
Total liabilities and net assets	\$ 62,855

The accompanying notes are an integral part
of these financial statements

Pillars of Hope, Incorporated
Statement of Activities
As of December 31, 2020

Description	Without Donor Restrictions	With Donor Restrictions	Total
<i>Revenue:</i>			
Contributions	\$ 20,575	-	\$ 20,575
Grants	500	5,000	5,500
Contributions and grants received	21,075	5,000	26,075
<i>Fundraising</i>			
Revenue	1,070	-	1,070
Costs	(3,225)	-	(3,225)
Fundraising Income, net	(2,155)	-	(2,155)
Investment income	143	-	143
Total support and revenue	19,063	5,000	24,063
<i>Program Costs:</i>			
Labor costs	7,453	-	7,453
Clients support expenses	1,480	5,000	6,480
Supplies and other program costs	1,815	-	1,815
Total program costs	10,748	5,000	15,748
<i>Support Services:</i>			
Labor costs	2,484	-	2,484
Admin. & general expenses	7,195	-	7,195
Depreciation and amortization	16	-	16
Total support service costs	9,695	-	9,695
<i>Total expenses</i>	20,443	5,000	25,443
<i>Increase/(decrease) in Net Assets</i>	(1,380)	-	(1,380)
<i>Net assets at beginning of the year</i>	60,674	-	60,674
<i>Net assets at end of year</i>	\$ 59,294	-	\$ 59,294

The accompanying notes are an integral part
of these financial statements

Pillars of Hope, Incorporated
Statement of Cash Flows
For the Year Ended December 31, 2020

	<u>Amount</u>
<i>Cash Flows from Operating Activities:</i>	
Increase / (decrease) in net assets	\$ (1,380)
Adjustments to reconcile Change in Net Asset to net cash provided by operations:	
Depreciation	16
Changes in Working Capital Items:	
(Increase) decrease in receivables	(7,070)
(Increase) / decrease in other assets	155
(Decrease) / increase in accounts payable	-
(Decrease) / increase in other current liabilities	1,575
Net cash provided by Operating Activities	<u>(6,704)</u>
<i>Cash Flows from Investing Activities:</i>	
Investment in mutual fund	(36)
Purchase of fixed assets	(579)
Net Cash Used by Investing Activities	<u>(615)</u>
<i>Net cash increase / (decrease) during the period</i>	(7,319)
<i>Cash at beginning of period</i>	<u>27,313</u>
<i>Cash at end of period</i>	<u><u>\$ 19,994</u></u>

The accompanying notes are an integral part
of these financial statements

Pillars of Hope, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

Description	Support Services		Total	
	Program Activities	Fundraising Activities		Management & Admin.
Wages	\$ 6,625	-	2,208	\$ 8,833
Payroll taxes	828	-	276	1,104
Clients suport costs	6,480	-	-	6,480
Supplies	-	91	257	348
Telephone	-	-	649	649
Website expense	-	-	1,468	1,468
Computer expense	-	-	83	83
Other fundraising expenses	-	3,134	1,200	4,334
Bank charges and fees	1,010	-	32	1,042
Permits and licenses	-	-	75	75
Legal and professional fees	-	-	500	500
Postage and mailing	-	-	176	176
Insurance	-	-	1,456	1,456
Office expense	10	-	1,299	1,309
Auto & truck expense	348	-	-	348
Annual appreciation event	86	-	-	86
Staff training and development	361	-	-	361
Depreciation	-	-	16	16
Total Expenses	<u>\$ 15,748</u>	<u>3,225</u>	<u>9,695</u>	<u>\$ 28,668</u>

The accompanying notes are an integral part
of these financial statements

Pillars of Hope, Incorporated

Notes to Financial Statements

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Pillars of Hope, Incorporated (the “Organization”) was formed in the second half of 2010 with a mission to help victims of human trafficking recover from their trauma and get their lives back by providing them with a safe, healing environment. The Organization is recognized as a tax-exempt public benefit corporation within the meaning of Section 501(c)(3) of the Internal Revenue Code of the United States of America. Pillars of Hope, Incorporated is exempted from taxes under Part 11 of Revenue and Taxation Code (R&TC) § 23701(c)(1) of California law.

The Organization has no members and so looks to the public for contributions and grants. Contributions to Pillars of Hope, Incorporated are tax deductible within the limitations prescribed under Section 501(c)(3) of the Internal Revenue Code. Under its operating bylaws, no distribution of any gains, profits or dividends to any director as a member is allowed. If the Organization were to dissolve, the beneficiary of any funds and other assets would be awarded to an existing organization with an identical mission, tax status, and operating objectives.

The overarching goal of the Organization is to assist in combating human trafficking as a form of modern-day slavery through public awareness campaigns, intervention, prevention, safe transitional housing and reintegration programs for rescued victims.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based upon donor-imposed restrictions. US GAAP requires the Organization to report information regarding its financial position according to the following net asset classification:

Net Assets Without Donor Restrictions – Represents those resources over which the Board of Directors has discretionary control and may be expended for any purpose in performing the primary objectives of the Organization. Designated amounts represent those revenues which Board has set aside for a particular purpose. Property and equipment net of related debt is considered unrestricted.

Net Assets With Donor Restrictions – Represents those resources subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; these restrictions will be satisfied by actions of the Organization or passage of time. Other donor restrictions are perpetual in nature, where 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.

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; and disclose contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Pillars of Hope, Incorporated

Notes to Financial Statements

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents and mutual fund investments. Pillars of Hope, Incorporated maintains its cash and cash equivalents with two financial institutions. During 2020, such amounts did not exceed Federal Deposit Insurance Corporation limits. The Organization's mutual fund investments is managed by a major investment advisory firm.

Cash and Cash Equivalents

Cash and Cash Equivalents consists of cash on hand or in demand deposit account and short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. These are investments with maturity dates of three month or less when purchased. Investments that would otherwise meet the preceding definition may not meet the definition of a cash equivalent if they are subject to donor restrictions, governing board designations, and other limitations on use. The Organization maintains all its bank and other deposit accounts with federally insured financial institutions.

Investments

The Organization's investments are reflected on the statement of financial position at fair value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statement of activities and changes in net assets. Dividends and interest are recognized as they are earned.

Pledge Receivables

The Financial Accounting Standards Board (FASB), as set forth in Statement of Financial Accounting Standards No. 116, requires the Organization to record unconditional promises to give as an asset. However, intentions to give do not require the recording of an asset and related revenue. Pillars of Hope, Incorporated views intentions to give as morally but not legally binding commitments. Accordingly, no pledge receivables are reflected.

Property and Equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Purchases of \$500 and above are capitalized. Cost of maintenance and repairs which do not improve or extend the lives of the respective assets are expensed in the period purchased. Depreciation for financial reporting purposes is computed on the straight-line method over the estimated lives of the assets ranging from three to five years.

Other Noncurrent Assets

Other Noncurrent Assets consists primarily of inventory of donated assets.

Support and Expenses

Contributions received are measured at their fair values and are recorded as an increase in net assets. The Organization reports gifts of cash as restricted support if they are reported with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor 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 statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support Without Donor Restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. They are recorded on a functional basis which involves allocation of expenses to various functions.

Contributed Goods and Services

The Organization recognizes as contribution revenue the fair value of tangible goods donated by members of the public.

Pillars of Hope, Incorporated

Notes to Financial Statements

The Organization pays for most services requiring specific expertise. Services provided by volunteers in support of the Organization's events and functions that do not require special skills are not recognized as revenue and expenses. No amounts have been reflected in the financial statements for services donated during the year.

Income Taxes

Pillars of Hope, Incorporated is exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Section 23701(c)(1) of Revenue and Taxation Code (R&TC) of the State of California. The Organization is not a private foundation within the meaning of Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code. Therefore, it is not subject to a federal excise tax on net investment income.

The Organization is subject to taxes on unrelated business income. Accounting standards prescribe a recognition threshold and measurement principles for the financial statement disclosure of tax positions taken or expected to be taken on a tax return that are not certain to be realized. Management has evaluated for uncertain tax positions and to date has determined that there are no material uncertain tax positions that would require recognition in the financial statements as of December 31, 2020.

Tax years ended 2017, 2018, and 2019 are still open to income tax examinations by U.S. federal, state, or local tax authorities based on the standard statute of limitations lookback period.

Note 2

FAIR VALUE MEASUREMENT

Generally accepted accounting principles establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The fair value hierarchy is as follows:

LEVEL 1: Quoted prices in active markets that are accessible at the measurement date for assets and liabilities. The fair value hierarchy gives the highest priority to level 1 inputs.

LEVEL 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

LEVEL 3: Inputs that are unobservable and based on the Organization's assumptions, estimates, and internally developed inputs. The fair value hierarchy gives lowest priority to level 3 inputs.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair measurement in its entirety.

Fair Values Measured on a Recurring Basis

Fair values of cash, cash equivalents, and investments assets measured on a recurring basis as of December 31, 2020 are as follows:

	Fair Value Measurement at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash & money market	\$ 19,994	-	-	\$ 19,994
Mutual funds investment	25,623	-	-	25,623
	<u>\$ 45,617</u>	<u>-</u>	<u>-</u>	<u>\$ 45,617</u>

Pillars of Hope, Incorporated

Notes to Financial Statements

Note 3

OPERATING LEASES

Pillars of Hope, Incorporated had no lease at the end of 2020.

Note 4

PROPERTY, PLANTS, AND EQUIPMENT

The Organization's property and equipment consisted of the following as of December 31, 2020:

	<u>Amount</u>
Furniture and fixtures	\$ 7,250
Office equipment	<u>1,288</u>
Property and equipment, cost	8,538
Less: Depreciation	<u>(7,975)</u>
Property and equipment, net	<u>\$ 563</u>

Note 5

OTHER NONCURRENT ASSETS

Other Noncurrent Assets as of December 31, 2020 consists entirely of donated assets. The Organization was gifted 5,000 shares of a new corporation based in the Northern California. The value of the shares could not be reasonably determined as the stocks are privately held and the corporation is yet to commence operations.

Note 6

FUNCTIONAL EXPENSES

Expenses are reported in the statement of activities by natural classification. Expenses are allocated among program and support activities based primarily on reasons for their incurrence. All expenses incurred on fundraising events were allocated to fundraising while expenses incurred, other than for fundraising, were either for program activities or management and general expenses.

Note 7

RELATED PARTY TRANSACTION

There were neither related parties on the board of directors nor related party transactions during the year.

Note 8

SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 16, 2021, the date the financial statements were available to be issued. A global outbreak of a severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), commonly referred to as COVID-19, was first reported by China in December 2019. The first confirmed case of the disease in the United States was reported on January 20, 2020. A new variant of the virus known as Delta Variant was first identified in India in December of 2020 and has since spread to other parts of the world including the United States of America.

The Organization could not have as many in-person activities in 2020 due to the pandemic and field visits were reduced. Volunteers going into the field during the year to see clients had to wear Personal Protective Equipment (PPE). It is the hope of the Organization that more and more clients will be serviced as life returns to normal.

Pillars of Hope, Incorporated

Notes to Financial Statements

Pillars of Hope, Incorporated received a sum of \$60,000 in May of 2021 from the estate of Elsie Buchwald, a friend of the Organization who passed away in 2020. No restrictions were placed on the use of the contribution by the donor.

Other than the development described above, there were no other material events subsequent to the date of the financial statements to report.