Safe House Project

FINANCIAL REPORT

DECEMBER 31, 2023

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

SAFE HOUSE PROJECT

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PBMares
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Safe House Project

Opinion

We have audited the financial statements of Safe House Project (the Organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 the Organization as of December 31, 2023 and 2022, and the results of its operations 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 the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be 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 the 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 the Organization'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 the Organization'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.

PBMares, LLP

Norfolk, Virginia
December 13, 2024

FINANCIAL STATEMENTS

SAFE HOUSE PROJECT

STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,003,306**	$ 1,675,109
Investments	**1,188,867**	20,611
Accounts receivable	**5,491**	-
Prepaid expenses	**34,316**	-
Total current assets	**2,231,980**	1,695,720
Total assets	**$ 2,231,980**	$ 1,695,720
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	**$ 132,433**	$ 20,703
Total current liabilities	**132,433**	20,703
Total liabilities	**132,433**	20,703
Net Assets		
Without donor restrictions	**1,099,547**	675,017
With donor restrictions	**1,000,000**	1,000,000
Total net assets	**2,099,547**	1,675,017
Total liabilities and net assets	**$ 2,231,980**	$ 1,695,720

SAFE HOUSE PROJECT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions	$ 1,107,190	$ -	$ 1,107,190
Grants	251,720	-	251,720
Program income	34,318	-	34,318
Fundraising events, net of expenses	123,812	-	123,812
In-kind donations	120,665	-	120,665
Investment income, net	115,475	-	115,475
Miscellaneous income	30,002	-	30,002
Total revenues and support	1,783,182	-	1,783,182
Expenses			
Program services	1,240,389	-	1,240,389
Management and general	81,806	-	81,806
Fundraising	36,457	-	36,457
Total expenses	1,358,652	-	1,358,652
Change in net assets	424,530	-	424,530
Net Assets, beginning of year	675,017	1,000,000	1,675,017
Net Assets, end of year	$ 1,099,547	$ 1,000,000	$ 2,099,547

SAFE HOUSE PROJECT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions	$ 1,017,763	$ 1,000,000	$ 2,017,763
Program income	23,400	-	23,400
Fundraising events, net of expenses	(1,894)	-	(1,894)
In-kind donations	157,305	-	157,305
Miscellaneous income	12,826	-	12,826
Total revenues and support	1,209,400	1,000,000	2,209,400
Expenses			
Program services	850,691	-	850,691
Management and general	50,418	-	50,418
Fundraising	44,085	-	44,085
Total expenses	945,194	-	945,194
Change in net assets	264,206	1,000,000	1,264,206
Net Assets, beginning of year	410,811	-	410,811
Net Assets, end of year	$ 675,017	$ 1,000,000	$ 1,675,017

SAFE HOUSE PROJECT

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
Payroll	$ 435,421	$ 17,519	$ 15,018	$ 467,958
Grant Awards	365,500	-	-	365,500
Program Partner Collaboration and Consulting	125,750	1,200	-	126,950
Survivor Support Services	122,002	-	-	122,002
Travel	67,022	235	1,118	68,375
Outreach and Education	58,204	100	145	58,449
Office Supplies and Software	30,897	4,585	87	35,569
Payroll Taxes	14,712	9,395	10,356	34,463
Professional Fees	-	25,700	-	25,700
Taxes, licenses and fees	775	13,981	8,813	23,569
Conference Expenses	9,746	-	-	9,746
Bonuses	9,265	75	60	9,400
Insurance	-	4,651	-	4,651
Facilities	-	2,608	170	2,778
Staff and Volunteer Appreciation	653	1,694	-	2,347
Donor Development/Stewardship	442	63	690	1,195
Total expenses	$ 1,240,389	$ 81,806	$ 36,457	$ 1,358,652

SAFE HOUSE PROJECT

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Grant Awards	$ 363,862	$ -	$ -	$ 363,862
Payroll	234,786	17,435	19,561	271,782
Program Partner Collaboration and Consulting	128,333	-	-	128,333
Payroll Taxes	6,293	6,121	6,868	19,282
Outreach and Education	43,545	122	-	43,667
Travel	29,603	-	2,945	32,548
Office Supplies and Software	12,038	11,336	1,562	24,936
Taxes, licenses and fees	750	9,912	12,818	23,480
Survivor Identification Training	21,129	68	-	21,197
Survivor Support Services	8,995	-	-	8,995
Staff and Volunteer Appreciation	66	2,130	68	2,264
Facilities	480	1,198	-	1,678
Donor Development/Stewardship	176	798	169	1,143
Other	-	778	94	872
Leadership Meetings	635	-	-	635
Insurance	-	520	-	520
Total expenses	$ 850,691	$ 50,418	$ 44,085	$ 945,194

SAFE HOUSE PROJECT

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

		2023		2022
Cash Flows from Operating Activities				
Change in net assets	**$**	**424,530**	$	1,264,206
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Unrealized gain on investments		**(113,639)**		-
Changes in:				
Accounts receivable		**(5,491)**		18,719
Prepaid expenses		**(34,316)**		-
Accounts payable and accrued expenses		**111,730**		(54,245)
Net cash provided by operating activities		**382,814**		1,228,680
Cash Flows from Investing Activities				
Net purchases of investments		**(1,054,617)**		-
Net cash used in investing activities		**(1,054,617)**		-
Net increase (decrease) in cash and cash equivalents		**(671,803)**		1,228,680
Cash and Cash Equivalents				
Beginning		**1,675,109**		446,429
Ending	**$**	**1,003,306**	$	1,675,109

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: Safe House Project (the Organization) is a not-for-profit organization that holds the audacious belief that eradication of child trafficking is possible through the power of unity, compassion, and collective action. The Organization increases survivor identification beyond one percent through education, provide emergency services and placement to all survivors, and ensure every survivor can access quality, safe housing and holistic care.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Cash and cash equivalents: The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments: The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

Accounts receivable: Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization offsets gross accounts receivable with an allowance for credit losses. The allowance for credit losses is the Organization's best estimate of the amount of probable credit losses in the Organization's existing accounts receivable and is based upon historical loss patterns, the number of days that accounts are past due, and an evaluation of the potential risk of loss associated with specific accounts. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Provisions for allowances for credit losses are recorded in credit loss expense. The balance in the allowance for credit losses as of December 31, 2023 and 2022 was $0.

Net assets and contributions: The Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor -imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires or is otherwise satisfied in the reporting period in which the support is recognized.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Net assets and contributions (continued): All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires or is otherwise satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue recognition: The Organization recognizes program and fundraising event revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when or as performance obligations are satisfied

The balance in accounts receivable at January 1, 2022 was $18,714.

Fundraising event revenue: The Organization holds events throughout the year. For such event related revenue, the performance obligation is considered met and the revenue is earned at the point in time the event is held. Fundraising event revenue is presented net of related expenses, which were $340,588 and $263,013 for the years ended December 31, 2023 and 2022, respectively. In-kind donations of items for fundraising events are presented separately as in-kind contributions under ASC 958 and totaled $73,026 and $157,305 for the years ended December 31, 2023 and 2022, respectively.

Total revenue recognized at a point in time in accordance with ASC 606 for the years ended December 31, 2023 and 2022 was $308,797 and $191,637.

Transaction price: The transaction price of goods and services is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods and services to the member.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and functional expenses. Directly identifiable expenses are allocated to program services and management and general. Expenses related to more than one function are charged to program services and management and general based on estimates made by management. Allocations are based on departmental staffing levels and other methodologies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising: Advertising costs are expensed as incurred. There were no advertising and marketing expenses for the years ended December 31, 2023 or 2022.

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Reclassifications: Certain amounts in the 2022 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no impact on net assets or changes therein.

Income taxes: The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

FASB ASC Topic 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization's management has evaluated the impact of the guidance to its financial statements. Management is not aware of any material uncertain tax positions and has not accrued the effect of any uncertain tax provisions. The Organization's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed.

The Organization's policy is to classify income tax related interest and penalties, if any, in other interest expense and penalties expense, respectively.

Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Adopted accounting pronouncements: In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The Organization adopted the standard effective January 1, 2023. The impact of adoption as not considered material to the financial statements.

Subsequent events: The Organization has evaluated events and transactions for recognition or disclosure in the financial statements through December 13, 2024, which is the date these financial statements were available to be issued.

Note 2. Liquidity and Availability

Financial assets and liquidity resources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Financial Assets:		
Cash and cash equivalents	**$ 1,003,306**	$ 1,675,109
Investments	**1,188,867**	20,611
Accounts receivable	**5,491**	-
Less: restricted for endowment	**(1,000,000)**	(1,000,000)
Total financial assets and liquidity resources available within one year	**$ 1,197,664**	$ 695,720

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. A significant portion of the Organization's operations and programs are funded by contributions and grants. Any significant reduction in these revenues could necessitate the Organization to have a corresponding reduction in programs and services offered.

Note 3. Contributed Nonfinancial Assets

The Organization's contributed nonfinancial assets are as follows for the years ended December 31:

	2023	2022
Items donated for auction	**$ 73,026**	$ 157,305
Supplies	**47,639**	-
	$ 120,665	$ 157,305

Contributed items donated for auction are reported as in-kind contributions in the statement of activities. These items are held for sale at fundraising events and valued at the estimated fair market value based on average sale price on open markets or similar products and services.

Note 4. Fair Value Measurements

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are input that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at December 31, 2023. All assets are classified as Level 1.

*Money market***:** Valued at market price which is equivalent to cost.

Corporate bonds: Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Equity securities: The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Mutual funds: Valued at the net asset value (NAV) of shares held by the at year-end based on the quoted market value of the underlying assets. The mutual funds held by the Organization are deemed to be actively traded.

Note 4. Fair Value Measurements (Continued)

The following table presents assets measured at fair value on a recurring basis on December 31, 2023:

	Level 1	Level 2	Level 3	Total
Endowment Investments:				
Domestic equity	$ 628,169	$ -	$ -	$ 628,169
Domestic corporate bonds	392,501	-	-	392,501
International equity	40,513	-	-	40,513
Money market	27,865	-	-	27,865
International corporate bonds	18,583	-	-	18,583
Other Investments:				
Mutual funds	21,738	-	-	21,738
Equities	59,498	-	-	59,498
	$ 1,188,867	$ -	$ -	$ 1,188,867

The following table presents assets measured at fair value on a recurring basis on December 31, 2022:

	Level 1	Level 2	Level 3	Total
Other Investments:				
Mutual Funds	$ 20,611	$ -	$ -	$ 20,611
	$ 20,611	$ -	$ -	$ 20,611

Note 5. Endowment Funds

The Endowment Fund, titled Hale Family Endowment Fund, (Endowment Fund) was established to support the furtherance of the Organization's general charitable purposes, including overhead and administrative costs. Establishment of the Endowment Fund is a proactive measure taken to increase financial stability during future economic downturns and provide for emergency needs. Another benefit of the Endowment Fund is that it will give new and consistent funding to critical areas of service that Organization provides.

The Endowment Fund includes only donor-restricted funds as required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 5. Endowment Funds (Continued)

The Organization is subject to the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Board of Directors appropriates such amounts for expenditure and any other purpose restrictions have been met. The Board of Directors of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. There were no underwater endowment funds at December 31, 2023. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Endowment Fund net asset composition and type of fund is as follows:

	2023		
	With Donor Restrictions	**Without Donor Restrictions**	**Total**
Endowment net assets:			
Investments	**$ 1,000,000**	**$ 107,631**	**$ 1,107,631**
	$ 1,000,000	**$ 107,631**	**$ 1,107,631**

	2023		
	With Donor Restrictions	**Without Donor Restrictions**	**Total**
Endowment Fund net assets, beginning of year	**$ 1,000,000**	**$ -**	**$ 1,000,000**
Investment income, net	**-**	**107,631**	**107,631**
	$ 1,000,000	**$ 107,631**	**$ 1,107,631**

Note 5. Endowment Funds (Continued)

Changes in the Endowment Fund net assets were as follows:

	2022		
	With Donor Restrictions	Without Donor Restrictions	Total
Endowment net assets:			
Cash	$ 1,000,000	$ -	$ 1,000,000
	$ 1,000,000	$ -	$ 1,000,000

	2022		
	With Donor Restrictions	Without Donor Restrictions	Total
Endowment Fund net assets, beginning of year	$ -	$ -	$ -
Contributions	1,000,000	-	1,000,000
	$ 1,000,000	$ -	$ 1,000,000

Return Objectives, Risk Parameters and Strategies. The Organization approved the investment policy and investment allocation plan with a moderate risk allocating funds in domestic equities, international equities, and fixed income.

Investment and Spending Policy. The Organization's Board of Directors governs the use of the Endowment Fund and identifies the mission related programs and services for which the funds will be used. Earnings on the Endowment Fund may be used for general charitable purposes of the Organization, including overhead and administrative expenses. The amount appropriated for expenditure is at the Board of Directors' discretion and determined annually and will not exceed 5% of the value of the Endowment Fund.

Note 6. Concentrations

Major Donors: There were no major donor concentrations for the year ended December 31, 2023. During the year ended December 31, 2022, revenue and support received from one donor totaled $1,000,000, representing approximately 45% of total revenue and support received during the year.

Note 7. Subsequent Events

On November 1, 2024, the Organization. absorbed another not-for-profit entity whose objectives are related to educational activities in line with the Organization's mission. The estimated fair values of the assets acquired were $21,240 and the liabilities assumed were $2.955 at the date of the acquisition.