

SELAH WAY FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020
(With Independent Auditors' Report)

SELAH WAY FOUNDATION

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DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Selah Way Foundation
Chicago, Illinois

We have audited the accompanying financial statements of Selah Way Foundation, which comprise the statement of financial position as of December 31, 2020, and 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 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 Selah Way Foundation 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.

ICL, LLC

ICL, LLC
Chicago, IL

October 14, 2021

SELAH WAY FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

ASSETS

| | |
|-------------------------------|--------------------------|
| Cash and cash equivalents | \$ 273,257 |
| Investments | 383,951 |
| Prepaid expenses and deposits | <u>180,000</u> |
| Total assets | <u><u>\$ 837,208</u></u> |

LIABILITIES AND NET ASSETS

| | |
|---------------------------------------|--------------------------|
| Liabilities: | |
| Accrued liabilities | \$ 3,520 |
| Note payable | <u>14,462</u> |
| Total liabilities | <u>17,982</u> |
| Net Assets: | |
| Net assets without donor restrictions | 709,468 |
| Net assets with donor restrictions | <u>109,758</u> |
| Total net assets | <u><u>819,226</u></u> |
| Total liabilities and net assets | <u><u>\$ 837,208</u></u> |

See accompanying notes to the financial statements.

SELAH WAY FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
|---------------------------------------|--|--|-------------------|
| REVENUE AND SUPPORT: | | | |
| Foundation contributions | \$ 750,625 | \$ 250,000 | \$ 1,000,625 |
| Corporate contributions | 50,000 | - | 50,000 |
| Individual contributions | 8,147 | - | 8,147 |
| Interest and dividends | 783 | - | 783 |
| Other income | 2,128 | - | 2,128 |
| Net assets released from restrictions | 225,242 | (225,242) | - |
| Total Revenue and Support | <u>1,036,925</u> | <u>24,758</u> | <u>1,061,683</u> |
| EXPENSES: | | | |
| Program services | 647,243 | - | 647,243 |
| Supporting services: | | | |
| Management and general | 9,354 | - | 9,354 |
| Fundraising | 7,280 | - | 7,280 |
| Total Expenses | <u>663,877</u> | <u>-</u> | <u>663,877</u> |
| CHANGE IN NET ASSETS | 373,048 | 24,758 | 397,806 |
| NET ASSETS, BEGINNING OF YEAR | <u>336,420</u> | <u>85,000</u> | <u>421,420</u> |
| NET ASSETS, END OF YEAR | <u>\$ 709,468</u> | <u>\$ 109,758</u> | <u>\$ 819,226</u> |

See accompanying notes to the financial statements.

SELAH WAY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

| | <u>Prevention</u> | <u>Provision</u> | <u>Protection</u> | <u>Total Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---|-------------------|-------------------|-------------------|---------------------------------------|-----------------------------------|--------------------|-------------------|
| Salary, wages, payroll taxes | \$ 50,805 | \$ 50,604 | \$ 50,604 | \$ 152,013 | \$ - | \$ - | \$ 152,013 |
| Employee benefits | - | - | - | - | 200 | - | 200 |
| Contract services | 23,424 | 17,924 | 62,476 | 103,824 | - | 6,500 | 110,324 |
| Grants to other nonprofits | 133,500 | - | 121,765 | 255,265 | - | - | 255,265 |
| Legal and professional | - | - | - | - | 9,067 | - | 9,067 |
| Information technology | 1,708 | 1,708 | 1,708 | 5,124 | - | - | 5,124 |
| Supplies and office expenses | 486 | 486 | 486 | 1,458 | 57 | - | 1,515 |
| Cultivation and stewardship | - | - | - | - | - | 780 | 780 |
| Public relations, marketing and advertising | 47,204 | 15,304 | 15,304 | 77,812 | - | - | 77,812 |
| Bank charges and credit card fees | - | - | - | - | 30 | - | 30 |
| Dues and subscriptions | 1,778 | 1,778 | 1,778 | 5,334 | - | - | 5,334 |
| Travel and reimbursements | 15,471 | 15,471 | 15,471 | 46,413 | - | - | 46,413 |
| Total expenses | <u>\$ 274,376</u> | <u>\$ 103,275</u> | <u>\$ 269,592</u> | <u>\$ 647,243</u> | <u>\$ 9,354</u> | <u>\$ 7,280</u> | <u>\$ 663,877</u> |

See accompanying notes to the financial statements.

SELAH WAY FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

Cash Flows From Operating Activities:

| | |
|---|----------------|
| Change in net assets | \$ 397,806 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Change in assets and liabilities: | |
| Pledges receivable | 50,896 |
| Prepaid expenses and deposits | (180,000) |
| Accrued liabilities | (10,370) |
| Deferred compensation | (15,000) |
| Net cash provided by operating activities | <u>243,332</u> |

Cash Flows From Investing Activities:

| | |
|---------------------------------------|-----------------|
| Purchase of investments | (440,782) |
| Sales of Investments | 377,500 |
| Net cash used in investing activities | <u>(63,282)</u> |

Cash Flows From Financing Activities:

| | |
|--------------|---------------|
| SBA PPP loan | <u>14,462</u> |
|--------------|---------------|

Net increase in cash and cash equivalents 194,512

Cash and cash equivalents, Beginning of Year 78,745

Cash and cash equivalents, End of Year \$ 273,257

See accompanying notes to the financial statements.

SELAH WAY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

NOTE 1 – NATURE OF ORGANIZATION

Selah Way Foundation (“Foundation”) is an Illinois nonprofit corporation that was founded in 2018. The Foundation offers care for sex trafficking survivors. It is a global network of anti-sex trafficking service providers dedicated to eradicating this problem globally through three initiatives: Prevention, Protection, and Provision.

- Prevention educates and empowers children and interveners through customized, cutting-edge curriculums so that they can recognize signs of exploitation and discover the power of their voice to speak out against abuse.

- Protection trains first responders and medical professionals, in partnership with the Global Strategic Operatives Unit and former law enforcement officers. These experts train professionals working with individuals at-risk for and involved in exploitation on how to protect victims and take action against predators.

- Provision provides a safe haven for survivors of sexual exploitation to heal from trauma and receive restorative services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The financial statements of Foundation have been prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles.

Accounting Policies

The Foundation follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition, results of activities, and cash flows. Reference to Generally Accepted Accounting Principles (GAAP) in these footnotes is to the *FASB Accounting Standards Codification*, sometimes referred to as the Codification or ASC.

SELAH WAY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Statement Presentation

The Foundation presents financial information pursuant to FASB Accounting Standards Codification *Not-for-Profit Entities: Presentation of Financial Statements (Subtopic 205)*, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified into distinct net asset categories according to externally (donor) imposed restrictions. In addition, the Foundation is required to present a statement of cash flows.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions are net assets without donor restrictions. These assets include the revenues and expenses of the primary operations of the Foundation. Donor restricted contributions and grants whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or grant-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time are classified as net assets with donor restrictions. When a restriction expires, 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.

Cash and Cash Equivalents

The Foundation considers cash and cash equivalents to include checking and savings accounts.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specified by the donor. Contributions are recognized as revenues when the contributions are awarded. Revenue from grants is considered earned when it is expended in accordance with the agreement.

SELAH WAY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pledges and Contributions Receivable

Pledges and Contributions receivable represents unconditional commitments made by donors. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. Management determines a reserve for doubtful contributions receivable based on estimates of collectability with certain donors with past experience as well as a general reserve for the remaining amount. Based on a review of outstanding receivables, management determined that an allowance for doubtful accounts was not necessary at December 31, 2020.

Investments

The Foundation invests in various marketable securities. Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair value in the statement of financial position. Investment income, realized gains (losses), and change in unrealized gains (losses) are reflected in the statements of activities. Investments received as contributions are recorded at fair value at the date of receipt. The Foundation's investment portfolio is subject to various risks, such as interest rate, credit, and overall market volatility. Because of these risks, it is possible that change in the fair value of investments may occur and that such changes could materially affect the Foundation's financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

SELAH WAY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Tax-Exempt Status

The Foundation is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance the Foundation may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Foundation and various positions related to potential sources of unrelated business taxable income. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting period presented in the financial statements. As of and for the year ended December 31, 2020, management has determined that there are no uncertain tax positions. The Foundation files Form 990 in the U.S. federal jurisdiction and the State of Illinois.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, investments, accrued liabilities approximate fair value because of the short-term maturity of these financial instruments.

Functional Allocation of Expenses

The costs of providing program services have been summarized on a functional basis in the statement of activities. Expenses that can be identified with program expenses are allocated directly according to their natural classification. Accordingly, certain costs have been allocated between the program and supporting services benefited as follows:

| <u>Expenses</u> | <u>Method of Allocation</u> |
|-----------------------|-----------------------------|
| Salary and benefits | Time and effort |
| Professional services | Time and effort |

Subsequent Events

The Foundation has evaluated subsequent events for potential recognition and/or disclosures through October 14, 2021, the date the financial statements were available to be issued.

SELAH WAY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEAR ENDED DECEMBER 31, 2020

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash checking accounts, which from time to time may exceed the federally insured limits of \$250,000. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant risk on cash and cash equivalents.

NOTE 4 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

Pursuant to FASB Accounting Standards Codification “*Fair Value Measurements and Disclosures (Topic 820)*”, the Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.
- Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

SELAH WAY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEAR ENDED DECEMBER 31, 2020

NOTE 4 – FAIR VALUE MEASUREMENTS AND DISCLOSURES - Continued

The following table presents financial instruments that are measured at fair value on a recurring basis and are subject to disclosure requirements of ASC 821-10 as of December 31, 2020:

| | <u>Total</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--------------------|--------------|----------------|----------------|----------------|
| ASSETS | | | | |
| Money market funds | \$ 383,951 | \$ - | \$ 383,951 | \$ - |
| Total | \$ 383,951 | \$ - | \$ 383,951 | \$ - |
| LIABILITIES | \$ - | \$ - | \$ - | \$ - |

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

- Short-term investments - The fair value of short-term investments, consisting primarily of money market funds, is classified as Level 2 as these funds are not traded on a regular basis.

NOTE 5 – INVESTMENTS

Investments, stated at fair value, at December 31, 2020 include money market funds (\$383,951). Investment returns, consisting of interest and dividend income (\$783) is reported on the statement of activities.

NOTE 6 – IN-KIND CONTRIBUTIONS

The Foundation is also the recipient of a variety of donated materials and services by volunteers for fundraising events and other activities; however the value of these goods and services are not measurable.

NOTE 7 – PLEDGES RECEIVABLE

Contributions receivable represent unconditional promises to give. The Foundation anticipates the timing of the contribution fulfillment according to payment schedules specified by donors. There were no pledges receivable balances as of December 31, 2020.

SELAH WAY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2020

NOTE 8 – DEFERRED COMPENSATION

Deferred compensation (\$15,000) represents an accrual for the services of the Foundation’s CEO/President for services rendered in 2019 according to the board approved employment agreement that was paid in 2020.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 (\$109,758) are available for the Global Strategic Operatives programs.

Net assets with donor restrictions of \$225,242 were released into operations during 2020 for fulfilling donor specified purposes as follows:

| | |
|-----------------------------------|-------------------|
| Global Strategic Operatives | \$ 140,242 |
| General Operations | 50,000 |
| Preventive Education and Training | <u>35,000</u> |
| | <u>\$ 225,242</u> |

NOTE 10 – SBA PPP LOAN PROCEEDS

In May 2020, the Foundation was granted a loan for \$14,462 pursuant to the Paycheck Protection Program (“PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loan may be prepaid the Foundation at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, rent obligations, and covered utility payments. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. If the SBA does not confirm forgiveness of the loan or only partially confirms loan forgiveness, the Foundation will be obligated to repay the unforgiven loan balance within two years (or five years of the original note in amended as allowed under the PPP Flexibility Act) from the loan funding date plus interest of 1% per annum. The Foundation expects to be granted full forgiveness for the PPP loan during 2021.

SELAH WAY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEAR ENDED DECEMBER 31, 2020

NOTE 11 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting use, within one year as of December 31, 2020 are:

Financial assets:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 273,257 |
| Investments | 383,951 |
| Total financial assets | <u>657,208</u> |

Less: financial assets held to meet donor-imposed restrictions (109,758)

Amount available for general expenditures within one year \$ 547,450

NOTE 12 – NEW ACCOUNTING PRONOUNCEMENTS

On January 1, 2020, the Foundation adopted, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*: as amended as management believes that the standard improves the usefulness and understandability of the Foundation's financial reporting. ASU 2014-09, as amended, is effective for annual reporting periods beginning after December 15, 2019. Analysis of the various provisions of this standard has resulted in no significant changes in the way the Foundation recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This standard requires increased transparency and comparability among organizations by requiring them to recognize lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The provisions of this standard are effective for fiscal years beginning after December 15, 2020 and early adoption is permitted. Management is currently evaluating the impact of adopting this standard.

SELAH WAY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEAR ENDED DECEMBER 31, 2020

NOTE 13 – UNCERTAINTY

On March 11, 2020, the World Health Organization (WHO) recognized the novel strain of coronavirus, COVID-19, as a pandemic. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventive or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forgo their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily. Given the uncertainty regarding the spread of this coronavirus, the related financial impact cannot be reasonably estimated at this time.