

POLARIS PROJECT, INC.

Financial Statements for the Years Ended
December 31, 2022 and 2021
and Report Thereon

Reports Required in Accordance with
The Uniform Guidance
For the Year Ended December 31, 2022

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Polaris Project, Inc.

Opinion

We have audited the accompanying financial statements of Polaris Project, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 financial statements present fairly, in all material respects, the financial position of Polaris Project, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 Polaris Project, Inc. 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 these 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 Polaris Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Polaris Project, Inc.'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 Polaris Project, Inc.'s ability to continue as a going concern for a reasonable period of time.

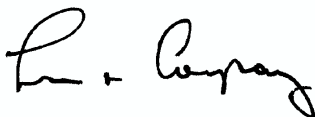
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2025, on our consideration of Polaris Project, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Polaris Project, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Polaris Project, Inc.'s internal control over financial reporting and compliance.



Washington, D.C., USA
January 13, 2025

Continued

POLARIS PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
Cash	\$ 3,534,622	\$ 3,667,012
Grants and contributions receivable	3,493,661	3,359,177
Accounts receivable	1,435,162	1,414,732
Prepaid expenses and other	91,706	167,280
Property and equipment, net	2,090,992	2,401,687
Right-of-use asset	6,907,823	-
Security deposit	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
Total Assets	<u>\$ 17,558,966</u>	<u>\$ 11,014,888</u>

	<u>LIABILITIES AND NET ASSETS</u>	
Accounts payable and accrued expenses	\$ 853,027	\$ 586,514
Note payable - PPP Loan	-	787,500
Notes payable - furniture and equipment	280,834	380,663
Lease liability	9,398,151	-
Deferred rent	-	2,609,036
	<u>-</u>	<u>2,609,036</u>
Total Liabilities	<u>10,532,012</u>	<u>4,363,713</u>
Net Assets		
Without donor restrictions	1,788,960	2,103,720
With donor restrictions	5,237,994	4,547,454
	<u>5,237,994</u>	<u>4,547,454</u>
Total Net Assets	<u>7,026,954</u>	<u>6,651,174</u>
Total Liabilities and Net Assets	<u>\$ 17,558,966</u>	<u>\$ 11,014,887</u>

The accompanying notes are an integral part of these financial statements.

POLARIS PROJECT, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Government grants	\$ 5,500,919	\$ -	\$ 5,500,919
Corporate, foundation, individual and other	5,075,158	4,280,724	9,355,882
In-kind contributions	6,455,447	-	6,455,447
Other	30,478	-	30,478
Investment income, net	41,349	-	41,349
Net assets released from restrictions	3,590,184	(3,590,184)	-
	<u>20,693,535</u>	<u>690,540</u>	<u>21,384,075</u>
Total Revenue and Support			
	<u>20,693,535</u>	<u>690,540</u>	<u>21,384,075</u>
Expenses			
Program Services	16,936,682	-	16,936,682
Supporting Services			
Fundraising	2,760,173	-	2,760,173
Management and general	1,311,440	-	1,311,440
	<u>4,071,613</u>	<u>-</u>	<u>4,071,613</u>
Total Supporting Services			
	<u>4,071,613</u>	<u>-</u>	<u>4,071,613</u>
Total Expenses			
	<u>21,008,295</u>	<u>-</u>	<u>21,008,295</u>
Change in Net Assets	<u>(314,760)</u>	<u>690,540</u>	<u>375,780</u>
Net Assets, Beginning of Year	<u>2,103,720</u>	<u>4,547,454</u>	<u>6,651,174</u>
Net Assets, End of Year	<u><u>\$ 1,788,960</u></u>	<u><u>\$ 5,237,994</u></u>	<u><u>\$ 7,026,954</u></u>

The accompanying notes are an integral part of these financial statements.

POLARIS PROJECT, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Government grants	\$ 4,978,512	\$ -	\$ 4,978,512
Corporate, foundation, individual and other	6,570,028	2,982,187	9,552,215
In-kind contributions	7,020,801	-	7,020,801
Other	1,503,494	-	1,503,494
Investment income, net	4,412	-	4,412
Net assets released from restrictions	1,090,178	(1,090,178)	-
	<u>21,167,425</u>	<u>1,892,009</u>	<u>23,059,434</u>
Expenses			
Program Services	15,710,639	-	15,710,639
Supporting Services			
Management and general	3,394,153	-	3,394,153
Fundraising	1,005,230	-	1,005,230
	<u>4,399,383</u>	<u>-</u>	<u>4,399,383</u>
	<u>20,110,022</u>	<u>-</u>	<u>20,110,022</u>
Change in Net Assets	<u>1,057,403</u>	<u>1,892,009</u>	<u>2,949,412</u>
Net Assets, Beginning of Year	<u>1,046,317</u>	<u>2,655,445</u>	<u>3,701,762</u>
Net Assets, End of Year	<u>\$ 2,103,720</u>	<u>\$ 4,547,454</u>	<u>\$ 6,651,174</u>

The accompanying notes are an integral part of these financial statements.

POLARIS PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Services	Supporting Services Management and General	Fundraising	Total Supporting Services	Totals
Salaries and wages	\$ 5,759,732	\$ 1,126,542	\$ 477,826	\$ 1,604,368	7,364,100
Donated goods and services	6,471,847	--	--	--	6,471,847
Consulting and professional fees	1,271,424	430,244	394,539	824,783	2,096,207
Payroll taxes and benefits	1,739,009	527,485	162,538	690,023	2,429,032
Facilities and equipment	255,372	156,515	53,822	210,337	465,709
Subscriptions, technology and other	1,022,579	270,071	167,017	437,088	1,459,667
Travel and meetings	81,937	49,634	17,717	67,351	149,288
Depreciation and amortization	238,189	82,890	22,099	104,989	343,178
Miscellaneous	2,241	83,595	7,032	90,627	92,868
Insurance	94,352	33,197	8,850	42,047	136,399
Totals	<u>\$ 16,936,682</u>	<u>\$ 2,760,173</u>	<u>\$ 1,311,440</u>	<u>\$ 4,071,613</u>	<u>\$ 21,008,295</u>

The accompanying notes are an integral part of these financial statements.

POLARIS PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services	Supporting Services Management and General	Fundraising	Total Supporting Services	Totals
Salaries and wages	\$ 4,932,260	\$ 1,624,572	\$ 534,368	\$ 2,158,940	7,091,200
Donated goods and services	7,007,889	20,815	--	20,815	7,028,704
Consulting and professional fees	808,913	604,973	90,478	695,451	1,504,364
Payroll taxes and benefits	1,588,350	488,424	161,128	649,552	2,237,902
Facilities and equipment	561,282	209,726	60,277	270,003	831,285
Subscriptions, technology and other	465,637	322,413	121,930	444,343	909,980
Travel and meetings	15,737	8,118	1,285	9,403	25,140
Depreciation and amortization	254,786	83,919	27,602	111,521	366,307
Miscellaneous	1,008	6,563	61	6,624	7,632
Insurance	74,777	24,630	8,101	32,731	107,508
Totals	<u>\$ 15,710,639</u>	<u>\$ 3,394,153</u>	<u>\$ 1,005,230</u>	<u>\$ 4,399,383</u>	<u>\$ 20,110,022</u>

The accompanying notes are an integral part of these financial statements.

POLARIS PROJECT, Inc.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 375,780	\$ 2,949,412
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	343,178	366,307
Change in assets and liabilities		
Grants and contributions receivable	(134,484)	(1,020,252)
Accounts receivable	(20,430)	(1,414,732)
Prepaid expenses and other	75,574	(53,297)
Right-of-use asset	(6,907,823)	-
Accounts payable and accrued expenses	266,513	(45,222)
Lease liability	9,398,151	-
Deferred rent	(2,609,036)	(96,756)
Net cash provided by operating activities	<u>787,423</u>	<u>685,460</u>
Cash flows used in investing activities		
Purchases of property and equipment	<u>(32,484)</u>	<u>(35,468)</u>
Net cash used in investing activities	<u>(32,484)</u>	<u>(35,468)</u>
Cash flows used in financing activities		
Proceeds from Paycheck Protection Program loan	-	787,500
Payments on notes payable - furniture and equipment	(99,829)	(93,685)
Forgiveness of PPP loan payable	<u>(787,500)</u>	<u>(1,385,860)</u>
Net cash used in financing activities	<u>(887,329)</u>	<u>(692,045)</u>
Net decrease in cash	(132,390)	(42,053)
Cash, beginning of year	<u>3,667,012</u>	<u>3,709,065</u>
Cash, end of year	<u><u>\$ 3,534,622</u></u>	<u><u>\$ 3,667,012</u></u>
Supplemental disclosure:		
Amount expended for interest	<u><u>\$ 21,484</u></u>	<u><u>\$ 27,628</u></u>

The accompanying notes are an integral part of these financial statements.

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

1. Organization

Polaris Project, Inc. (Polaris) is a not-for-profit organization incorporated in 2002 in the State of Rhode Island, with its headquarters located in Washington, D.C. Polaris is committed to combating human trafficking and modern-day slavery. Polaris combines direct intervention, survivor support, policy advocacy, and movement building into a comprehensive approach to combat human trafficking.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash

Cash consist of cash held in checking accounts and unrestricted highly liquid investments purchased with an original maturity of three months or less.

Concentrations of Credit Risk

Polaris' bank accounts, consisting of checking accounts and a money market account, are insured by the Federal Deposit Insurance Corporation up to \$250,000. Polaris holds certain cash equivalents whose balances may at times exceed the insured limit. Management believes these amounts are not subject to any significant credit risk. As of December 31, 2022, the total cash balance in excess of the limit was \$3,034,622.

Property and Equipment

Office furnishings and equipment are stated at cost or, if acquired by gift, at fair value at the date of donation. Depreciation is computed over an estimated useful life of six years using the straight-line method, with a capitalization threshold of \$5,000. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining lease term. The cost of maintenance and repairs is recorded as expenses are incurred. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in the Statements of Activities.

In-kind Contributions

In-kind contributions that create or enhance non-financial assets or that require specialized skills that would typically need to be purchased if not provided by donation, are recorded as revenue and expense at their estimated fair values in the period received. In-kind contributions consist of donated professional fees, donated technology, and donated airline and hotel vouchers.

Continued

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets

Polaris reports information regarding its financial position and activities according to two classes of net assets:

- Net assets without restrictions include revenue and contributions available for the operation of the organization and include both internally designated and undesignated resources.
- Net assets with restrictions include revenue and contributions subject to donor-imposed stipulations that will be met by the action of the organization and/or the passage of time. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Federal government grants are deemed to be earned and are reported as unrestricted revenue when Polaris has incurred expenditures in compliance with the specified restrictions.

Private foundation grants, restricted by the grantor for specific programmatic purposes and deemed to be an exchange transaction, are recorded as cash and deferred revenue at the time of receipt. Monies from such grants are deemed to be earned and are reported as unrestricted revenue when Polaris has incurred expenditures in compliance with the specified conditions. Private foundation grants, restricted by the grantor for specific programmatic purposes and deemed to be contributions, are recorded as cash and restricted revenue at the time of receipt. Monies from such grants are reclassified to unrestricted revenue when Polaris has incurred expenditures in compliance with the specified conditions.

Grants and Contributions Receivable

Grants receivable represent amounts due from donors based on approved grants and are reported on the Statements of Financial Position at their net realizable value. Contributions receivable represent unconditional promises made by donors that have not yet been collected at year-end.

Continued

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing Polaris' various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. The majority of expenses are tracked against the underlying grant and as a result are directly allocated to a functional category. Other overhead costs are allocated between functional categories based on a pre-determined percentage re-evaluated each year. Salary and payroll expenses are allocated to functional categories based on employee time.

Newly adopted Accounting Pronouncement

During the year ended December 31, 2022, Polaris adopted Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. Please see Note 8 for the impact of this ASU on Polaris.

Recently Adopted Accounting Pronouncement

During the year ended December 31, 2021, Polaris adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). This update is intended to improve transparency regarding the measurement of contributed nonfinancial assets. This update requires recipients of contributed non-financial assets to disclose these transactions separately on the statement of activities, as well as include a disaggregation of the contributed non-financial assets disclosing certain qualitative information regarding their measurement and utilization.

3. Liquidity

Financial assets available for general expenditures within one year of the accompanying Statements of Financial Position comprise the following:

	<u>2022</u>	<u>2021</u>
Cash	\$3,534,622	\$3,667,012
Grants and contributions receivable	3,493,661	3,359,177
Accounts receivable	<u>1,435,162</u>	<u>1,414,732</u>
Subtotal	8,463,445	8,440,921
Less: Net assets with donor restrictions	<u>(5,183,821)</u>	<u>(4,547,454)</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$3,279,624</u>	<u>\$3,893,467</u>

Continued

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

4. Grants and Contributions Receivable

Polaris receives commitments for programmatic and operating support under grants and contributions from its various donors. Grants and contributions receivable at December 31 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Amounts due in:		
One year or less	\$3,493,661	\$3,359,177
Between one year and five years	<u>--</u>	<u>--</u>
Total	<u>\$3,493,661</u>	<u>\$3,359,177</u>

5. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 2,050,105	\$ 2,180,013
Furniture and equipment	<u>971,158</u>	<u>1,131,351</u>
Subtotal	3,021,263	3,311,364
Less: Accumulated depreciation and amortization	<u>(930,271)</u>	<u>(909,677)</u>
Property and Equipment, net	<u>\$ 2,090,992</u>	<u>\$ 2,401,687</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$343,178 and \$366,307, respectively.

6. Line of Credit

Polaris maintains a \$500,000 revolving line of credit with a local financial institution. Amounts borrowed under the line of credit bear interest based on the Wall Street Journal Prime rate, which was 3.25% as of December 31, 2022. The line of credit is secured by all of Polaris' business assets. As of December 31, 2022, there were no outstanding borrowings on the line of credit.

Continued

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

7. Notes Payable – Paycheck Protection Program

On April 27, 2020, Polaris received loan proceeds in the amount of \$1,385,860 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for an amount up to 2.5 times of the average monthly payroll expenses of the qualifying business. Under the terms of the PPP, the loan may be forgiven if the proceeds are used for qualifying expenses as described in the CARES Act, while maintaining payroll levels. Qualifying expenses include payroll, benefits, rent and utilities. The loan had an interest rate of 1% per annum. In July 2021, the entire loan amount was forgiven. On April 23, 2021, Polaris received a second loan under PPP with similar provision and terms as the first loan. During 2022, the entire second loan was forgiven. These forgiven PPP loans are shown on the Statements of Activities as Government Grants.

8. Office Lease

On November 30, 2012, Polaris entered into an operating lease for office space located in Washington, D.C., which began on June 1, 2013 and was scheduled to terminate in January 31, 2024. However, during 2019 Polaris exercised a one-time right to terminate the lease in 2020. On or before the date of termination in 2020, Polaris was required to pay the landlord a termination fee of \$644,262. The termination fee was paid by a new landlord on behalf of Polaris resulting in a deferred termination penalty liability, which is being amortized over the lease term. As of December 31, 2022 and 2021, the deferred termination penalty liability was \$0 and \$562,655, respectively.

Polaris entered into a new 150-month lease agreement effective July 1, 2020 and expiring on December 31, 2032. The lease required a lease deposit of \$288,479, which is secured by a letter of credit. The agreement also included scheduled rent increases and an initial 6-month abatement of rent. The scheduled rent increases and abatement resulted in a deferred lease liability which is being amortized on a straight-line basis over the lease term. As of December 31, 2022 and 2021, the deferred rent liability was \$0 and \$581,023, respectively.

Additionally, the new lease agreement included leasehold improvement allowances provided by the landlord. Generally accepted accounting principles requires that leasehold improvement allowances be recorded as an asset (leasehold improvements), with a corresponding liability (deferred lease obligation) in the accompanying Statements of Financial Position. The portion of the lease payment related to the improvement allowance is amortized over the term of the lease. As of December 31, 2022 and 2021, the total deferred improvement allowance aggregated \$0 and \$1,465,357, respectively.

Rent expense for the years ended December 31, 2022 and 2021 totaled \$800,698 and \$799,303, respectively, and is included in facilities and equipment in the accompanying Statements of Functional Expenses.

Continued

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

8. Office Lease (continued)

Future minimum office lease commitments are as follows:

Year ending December 31,	
2023	\$ 922,510
2024	945,573
2025	969,213
2026	993,443
2027	1,018,279
Thereafter	<u>5,389,228</u>
Total	\$ 10,238,246
Less: interest	<u>(840,095)</u>
Lease Liability	<u>\$ 9,398,151</u>

9. Net Assets with Donor Restrictions

As of December 31, 2022 and 2021, net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
SI Labor Trafficking	\$ 1,502,040	\$ 633,271
Financial Intelligence Unit	2,596,725	3,590,000
Time Restricted	950,000	320,373
National Hotline	56,873	--
Learning, Innovation and Data Systems	41,297	--
GMSD	87,249	--
Unamortized Value of Donated Capital Assets	<u>3,810</u>	<u>3,810</u>
Total	<u>\$ 5,237,994</u>	<u>\$ 4,547,454</u>

10. Notes Payable – Furniture and Equipment

Polaris entered into financing agreements for furniture and equipment. The obligation are payable through July 2025. At December 31, 2022, the net book value of the financed assets was \$260,282.

Continued

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

10. Notes Payable – Furniture and Equipment (continued)

Minimum future lease payments under the capital leases are as follows.

<u>Year Ending December 31,</u>	<u>Capital Lease</u>
2023	\$ 121,313
2024	121,313
2025	<u>62,256</u>
Total minimum lease payments	\$ 304,882
Less, amount representing interest	<u>24,048</u>
Present value of minimum lease payments	280,834
Less, current maturities	<u>106,388</u>
Notes payable – furniture and equipment, net of current portion	<u>\$ 174,446</u>

Maturities of these notes are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 106,388
2024	113,391
2025	<u>61,055</u>
Total	<u>\$ 280,834</u>

12. Tax-Exempt Status

Polaris is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income for the years ended December 31, 2022 and 2021. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Polaris is not a private foundation. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition on the financial statements.

13. Conditional Contributions and Contingencies

Polaris was awarded conditional contributions from the U.S. Department of Human Services to support its core mission. During the years ended December 31, 2022 and 2021, amounts received from this grantor were recognized as revenue upon completion of certain task-related milestones and the satisfying of conditions, including spending-related conditions guided by government cost principles. Conditions are not recognized as revenue to the extent that conditions have not yet been met. Conditional contributions which have not been recognized as of December 31, 2022 are expected to be recognized in the following year.

Continued

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13. Conditional Contributions and Contingencies (continued)

The contributions received from the U.S. Department of Human Services are subject to audit. There exists the possibility that, upon audit, certain costs could be disallowed and result in a liability. Management is of the opinion that no material liability will result from such audits.

14. In-Kind Contributions

Polaris was the beneficiary of donated goods and services, which allowed Polaris to provide greater resources toward various programs. In-kind contributions consisted of the following during the years ended December 31:

	<u>2022</u>	<u>2021</u>
Donated technology	\$6,324,658	\$6,324,658
Donated airline and hotel vouchers	147,189	114,998
Donated legal services	--	269,342
Donated advertising	--	306,303
Donated consulting	<u>--</u>	<u>5,500</u>
Totals	<u>\$6,471,847</u>	<u>\$7,020,801</u>

15. Program Services

Polaris' program activities are as follows:

	<u>2022</u>	<u>2021</u>
National Hotline	\$11,454,284	\$11,136,103
Strategic Initiative Labor Trafficking	994,834	872,410
Learning, Innovation and Data Systems	1,084,000	1,000,855
Other	667,003	1,728,615
Communications	1,139,353	705,726
Program administration	345,776	65,898
Policy	299,479	201,032
Worker's Rights	<u>951,953</u>	<u>--</u>
Totals	<u>\$16,936,682</u>	<u>\$15,710,639</u>

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16. Related Party Transactions

Polaris engaged outsourced professional services from a national professional services firm and a local partner in such firm served on Polaris' board of directors. During 2022 and 2021, Polaris paid \$0 and \$59,007, respectively, to the service provider.

17. Retirement Plan

Polaris offers a 403(b) retirement plan for all full-time employees. In accordance with this plan, Polaris provides a matching contribution of up to 4% of eligible employees' compensation. Retirement plan expenses during the years ended December 31, 2022 and 2021 were \$191,768 and \$196,980 respectively, and is included in payroll taxes and benefits in the accompanying Statements of Functional Expenses.

18. Reclassifications

Certain prior year amounts may have been reclassified for consistency with the current year's presentation. These reclassifications had no effect on the reported results of operations.

19. Subsequent Event

In preparing these financial statements, Polaris has evaluated events and transactions for potential recognition or disclosure through January 13, 2025, the date the financial statements were available to be issued.