

POLARIS PROJECT, INC.

Financial Statements for the Years Ended
December 31, 2024 and 2023
and Report Thereon

Reports Required in Accordance with
The Uniform Guidance
For the Year Ended December 31, 2024

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, 2024 and 2023, 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, 2024 and 2023, 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.

Continued

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.

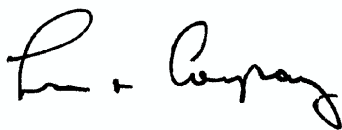
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 September 30, 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
September 30, 2025

Continued

POLARIS PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Cash	\$ 976,914	\$ 1,428,368
Grants and contributions receivable	1,107,163	1,672,756
Accounts receivable	1,161	179,429
Prepaid expenses and other	155,365	172,780
Property and equipment, net	1,455,999	1,774,237
Right-of-use asset	<u>5,634,014</u>	<u>6,277,492</u>
 Total Assets	 <u><u>\$ 9,330,616</u></u>	 <u><u>\$ 11,505,062</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 1,087,325	\$ 674,597
Notes payable - furniture and equipment	61,066	174,447
Line of credit	500,000	-
Lease liability	<u>7,822,873</u>	<u>8,626,613</u>
 Total Liabilities	 <u>9,471,264</u>	 <u>9,475,657</u>
 Net Assets		
 Without donor restrictions	 (2,463,331)	 (1,027,881)
With donor restrictions	<u>2,322,683</u>	<u>3,057,286</u>
 Total Net Assets	 <u>(140,648)</u>	 <u>2,029,405</u>
 Total Liabilities and Net Assets	 <u><u>\$ 9,330,616</u></u>	 <u><u>\$ 11,505,062</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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Government grants	\$ 5,357,207	\$ -	\$ 5,357,207
Corporate, foundation, individual and other	3,602,664	2,053,143	5,655,807
In-kind contributions	6,005,000	-	6,005,000
Investment income, net	38,280	-	38,280
Net assets released from restrictions	2,787,746	(2,787,746)	-
	<u>17,790,897</u>	<u>(734,603)</u>	<u>17,056,294</u>
Expenses			
Program Services			
National Human Trafficking Hotline	11,445,518	-	11,445,518
Financial Intelligence Unit	702,704	-	702,704
Workers' Rights	712,962	-	712,962
Other Programs	2,479,801	-	2,479,801
	<u>15,340,985</u>	<u>-</u>	<u>15,340,985</u>
Supporting Services			
Management and general	2,483,057	-	2,483,057
Fundraising	1,402,305	-	1,402,305
	<u>3,885,362</u>	<u>-</u>	<u>3,885,362</u>
	<u>19,226,347</u>	<u>-</u>	<u>19,226,347</u>
Change in Net Assets	<u>(1,435,450)</u>	<u>(734,603)</u>	<u>(2,170,053)</u>
Net Assets, Beginning of Year	<u>(1,027,881)</u>	<u>3,057,286</u>	<u>2,029,405</u>
Net Assets, End of Year	<u><u>\$ (2,463,331)</u></u>	<u><u>\$ 2,322,683</u></u>	<u><u>\$ (140,648)</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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Government grants	\$ 4,707,580	\$ -	\$ 4,707,580
Corporate, foundation, individual and other	3,877,921	1,350,000	5,227,921
In-kind contributions	6,269,785	-	6,269,785
Other	31,572	-	31,572
Investment income, net	134,239	-	134,239
Net assets released from restrictions	3,530,708	(3,530,708)	-
Total Revenue and Support	18,551,805	(2,180,708)	16,371,097
Expenses			
Program Services			
National Human Trafficking Hotline	11,630,769	-	11,630,769
Financial Intelligence Unit	669,130	-	669,130
Worker's Rights	1,230,996	-	1,230,996
Other Programs	3,398,500	-	3,398,500
Total Program Services	16,929,395	-	16,929,395
Supporting Services			
Management and general	2,973,212	-	2,973,212
Fundraising	1,466,039	-	1,466,039
Total Supporting Services	4,439,251	-	4,439,251
Total Expenses	21,368,646	-	21,368,646
Change in Net Assets	(2,816,841)	(2,180,708)	(4,997,549)
Net Assets, Beginning of Year	1,788,960	5,237,994	7,026,954
Net Assets, End of Year	\$ (1,027,881)	\$ 3,057,286	\$ 2,029,405

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

POLARIS PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2024

	Program Services					Supporting Services			
	National Human Trafficking Hotline	Financial Intelligence Unit	Workers' Rights	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries and wages	\$ 3,293,897	\$ 403,543	\$ 188,879	\$ 1,193,009	\$ 5,079,328	\$ 1,122,459	\$ 623,577	\$ 1,746,036	\$ 6,825,364
Donated goods and services	6,005,000	-	-	-	6,005,000	-	-	-	6,005,000
Consulting and professional fees	203,360	51,415	316,688	427,528	998,991	106,744	282,803	389,547	1,388,538
Payroll taxes and benefits	1,150,443	140,271	66,228	403,281	1,760,223	449,884	215,831	665,715	2,425,938
Facilities and equipment	246,234	30,166	14,120	89,183	379,703	392,751	46,615	439,366	819,069
Subscriptions, technology and other	329,095	49,178	99,296	276,237	753,806	165,915	182,960	348,875	1,102,681
Travel and meetings	9,284	2,623	15,470	15,154	42,531	15,276	11,103	26,379	68,910
Depreciation and amortization	156,010	19,114	8,946	56,505	240,575	48,129	29,535	77,664	318,239
Miscellaneous	-	-	342	-	342	164,112	-	164,112	164,454
Insurance	52,195	6,394	2,993	18,904	80,486	17,787	9,881	27,668	108,154
Totals	<u>\$ 11,445,518</u>	<u>\$ 702,704</u>	<u>\$ 712,962</u>	<u>\$ 2,479,801</u>	<u>\$ 15,340,985</u>	<u>\$ 2,483,057</u>	<u>\$ 1,402,305</u>	<u>\$ 3,885,362</u>	<u>\$ 19,226,347</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, 2023

	Program Services					Supporting Services			
	National Human Trafficking Hotline	Financial Intelligence Unit	Workers' Rights	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Totals
Salaries and wages	\$ 3,234,458	\$ 387,627	\$ 424,629	\$ 1,488,393	\$ 5,535,107	\$ 1,545,537	\$ 558,776	\$ 2,104,313	\$ 7,639,420
Donated goods and services	6,245,050	-	-	-	6,245,050	-	-	-	6,245,050
Consulting and professional fees	162,784	51,040	522,209	923,197	1,659,230	342,615	362,197	704,812	2,364,042
Payroll taxes and benefits	1,118,158	109,940	137,237	469,716	1,835,051	439,924	159,017	598,941	2,433,992
Facilities and equipment	349,607	41,898	45,897	160,878	598,280	192,648	60,397	253,045	851,325
Subscriptions, technology and other	325,376	49,199	47,807	224,735	647,117	329,878	266,150	596,028	1,243,145
Travel and meetings	5,885	6,743	27,976	41,909	82,513	10,543	20,924	31,467	113,980
Depreciation and amortization	142,944	17,131	18,766	65,778	244,619	67,208	24,695	91,903	336,522
Miscellaneous	231	7	391	2,599	3,228	22,722	5,889	28,611	31,839
Insurance	46,276	5,545	6,084	21,295	79,200	22,137	7,994	30,131	109,331
Totals	<u>\$ 11,630,769</u>	<u>\$ 669,130</u>	<u>\$ 1,230,996</u>	<u>\$ 3,398,500</u>	<u>\$ 16,929,395</u>	<u>\$ 2,973,212</u>	<u>\$ 1,466,039</u>	<u>\$ 4,439,251</u>	<u>\$ 21,368,646</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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ (2,170,053)	\$ (4,997,549)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	318,239	336,522
Change in assets and liabilities		
Grants and contributions receivable	565,592	1,820,905
Accounts receivable	178,268	1,255,733
Prepaid expenses and other	17,415	(81,074)
Right-of-use asset	643,478	630,331
Security deposit	-	5,000
Accounts payable and accrued expenses	412,728	(178,430)
Lease liability	(803,740)	(771,538)
Net cash used in operating activities	<u>(838,073)</u>	<u>(1,980,100)</u>
Cash flows used in investing activities		
Purchases of property and equipment	<u>-</u>	<u>(19,767)</u>
Net cash used in investing activities	<u>-</u>	<u>(19,767)</u>
Cash flows provided by/(used in) financing activities		
Payments on notes payable - furniture and equipment	(113,381)	(106,387)
Line of credit proceeds	<u>500,000</u>	<u>-</u>
Net cash provided by/(used in) financing activities	<u>386,619</u>	<u>(106,387)</u>
Net decrease in cash	(451,454)	(2,106,254)
Cash, beginning of year	<u>1,428,368</u>	<u>3,534,622</u>
Cash, end of year	<u><u>\$ 976,914</u></u>	<u><u>\$ 1,428,368</u></u>
Supplemental disclosure:		
Amount expended for interest	<u><u>\$ 25,819</u></u>	<u><u>\$ 14,925</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, 2024 and 2023

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, 2024, the total cash balance in excess of the limit was \$704,649.

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 technology and donated airline and hotel vouchers.

Continued

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

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, as well as funds restricted by the donor to be maintained in perpetuity by Polaris. 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. The income from assets restricted in perpetuity is available for either general operations or specific programs restricted by the donor.

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.

Continued

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

2. Summary of Significant Accounting Policies (continued)

Grants, Contributions and Accounts 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.

Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are evaluated for an allowance for credit losses resulting from the inability of the debtor to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Based on management's assessment, Polaris did not have any allowance for credit losses as of December 31, 2024 and 2023.

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.

3. Liquidity

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

	<u>2024</u>	<u>2023</u>
Cash	\$ 976,914	\$1,428,368
Grants and contributions receivable	1,107,163	1,672,756
Accounts receivable	<u>1,161</u>	<u>179,429</u>
Subtotal	2,085,238	3,280,553
Less: Net assets with donor restrictions	<u>(2,322,683)</u>	<u>(3,057,286)</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$(237,445)</u>	<u>\$ 223,267</u>

Continued

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

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 as of December 31 are comprised of the following:

	<u>2024</u>	<u>2023</u>
Amounts due in:		
One year or less	\$1,107,163	\$1,472,756
Between one year and five years	<u>-</u>	<u>200,000</u>
Total	<u>\$1,107,163</u>	<u>\$1,672,756</u>

5. Property and Equipment

Property and equipment consisted of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Leasehold improvements	\$ 2,050,105	\$ 2,050,105
Furniture and equipment	<u>990,925</u>	<u>990,925</u>
Subtotal	3,041,030	3,041,030
Less: Accumulated depreciation and amortization	<u>(1,585,031)</u>	<u>(1,266,793)</u>
Property and Equipment, net	<u>\$ 1,455,999</u>	<u>\$ 1,774,237</u>

Depreciation and amortization expense for the years ended December 31, 2024 and 2023 was \$318,239 and \$336,522, 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 7.50% as of December 31, 2024. The line of credit is secured by all of Polaris' business assets. As of December 31, 2024, the outstanding balance on the line of credit was \$500,000.

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

7. Office Lease

On November 30, 2012, Polaris entered into an operating lease for office space located in Washington, D.C., which was scheduled to terminate in January 31, 2024. However, Polaris exercised a one-time right to terminate the lease. 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 part of the lease liability.

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. During 2023, the lease deposit was reduced to \$216,359. The agreement also included scheduled rent increases and an initial 6-month abatement of rent. The scheduled rent increases and abatement resulted in the lease liability which is being amortized on a straight-line basis over the lease term. As of December 31, 2024 and 2023, the lease liability was \$7,822,873 and \$8,626,613, 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 (lease liability) 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 part of the lease liability.

On May 15, 2025, Polaris entered into a settlement agreement to terminate its lease with its landlord. The settlement agreement called for Polaris to make payments to the landlord which are disclosed in Note 11, Conditional Contributions and Contingencies.

On April 15, 2025, Polaris entered into a membership agreement for shared office space on a month-to-month basis. The membership agreement required a \$1,200 security deposit and monthly membership fees of \$3,000 for a four person office.

Rent expense for the years ended December 31, 2024 and 2023 totaled \$781,302 and \$809,780, respectively, and is included in facilities and equipment in the accompanying Statements of Functional Expenses.

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

7. Office Lease (continued)

Future minimum office lease commitments are as follows:

Year ending December 31,	
2025	\$ 969,213
2026	993,443
2027	1,018,279
2028	1,043,739
2029	1,069,920
Thereafter	<u>3,275,569</u>
Total	\$ 8,370,163
Less: interest	<u>(547,290)</u>
Lease Liability	<u>\$ 7,822,873</u>

8. Net Assets with Donor Restrictions

As of December 31, 2024 and 2023, net assets with donor restrictions consisted of the following:

	<u>2024</u>	<u>2023</u>
Workers' Rights	\$ 530,941	\$ 380,886
Financial Intelligence Unit	522,094	1,297,590
Time Restricted	550,000	1,375,000
The Alishka Fund – Permanent Restricted	250,000	-
Learning, Innovation and Data Systems	465,838	-
Unamortized Value of Donated Capital Assets	<u>3,810</u>	<u>3,810</u>
Total	<u>\$ 2,322,683</u>	<u>\$ 3,057,286</u>

9. Notes Payable – Furniture and Equipment

Polaris entered into financing agreements for furniture and equipment. The obligation are payable through July 2025. As of December 31, 2024 and 2023, the net book value of the financed assets were \$103,599 and \$156,683, respectively.

Continued

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

9. Notes Payable – Furniture and Equipment (continued)

Minimum future lease payments under capital leases are as follows.

<u>Year Ending December 31,</u> 2025	<u>Capital Leases</u>
	\$ 62,256
Total minimum lease payments	\$ 62,256
Less, amount representing interest	1,190
Present value of minimum lease payments	61,066
Less, current maturities	61,066
Notes payable – furniture and equipment, net of current portion	<u>\$ -</u>

Maturities of these notes are as follows:

<u>Year Ending December 31,</u> 2025	<u>\$ 61,066</u>
Total	<u>\$ 61,066</u>

10. 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, 2024 and 2023. 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.

11. 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, 2024 and 2023, 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, 2024 are expected to be recognized in the following year. As of December 31, 2024, Polaris has commitments for additional funding from the U.S. Department of Human Services totaling \$3,132,888.

Continued

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

11. 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.

On May 15, 2025, Polaris entered into a settlement agreement to terminate its lease with its landlord. The settlement agreement called for Polaris to make the following payments to the landlord: 1) five monthly installments of \$30,000 starting May 15, 2025; 2) one payment equal to 50% of the cost of the Office Decommission project or \$28,750; 3) twelve payments of \$60,000 starting October 15, 2025, if Polaris is awarded the National Human Trafficking Hotline Program cooperative agreement in September 2025; and 4) the Landlord shall draw \$133,859 down from the letter of credit that the Landlord is holding under the lease. A liability has been accrued in the accompanying financial statements for the rent due to the Landlord as of December 31, 2024.

12. 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>2024</u>	<u>2023</u>
Donated technology	\$6,005,000	\$6,005,000
Donated airline and hotel vouchers	<u>-</u>	<u>264,785</u>
Totals	<u>\$6,005,000</u>	<u>\$6,269,785</u>

13. Endowment Fund

During 2024, Polaris received \$250,000 from the Alishka Fund as an endowment restricted contribution. Polaris has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. Polaris classifies as donor restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund is classified as such until those amounts are appropriate for expenditure by Polaris in a matter consistent with the standard of prudence prescribed by UPMIFA.

POLARIS PROJECT, INC.
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

13. Endowment Fund (continued)

In accordance with UPMIFA, Polaris 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 purpose of Polaris and the donor restricted endowment fund, 3) general economic conditions, 4) the possible effects of inflation and deflation, 5) the expected total return from income and appreciation of investments, 6) other resources of Polaris, and 7) the investment policies of Polaris.

Polaris' policy provides investment guidelines with specific investment objectives and related strategy options for its investment portfolio, which includes endowments. The primary objective of the endowment is to ensure safety of the corpus and realize yields that approximate the market rate of return. Polaris' investments are subject to market, liquidity, and principal risks. Distributions are made in accordance with donor stipulations. As of December 31, 2024, the net asset balance in the endowment was \$250,000.

14. 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, 2024 and 2023 were \$93,633 and \$205,313 respectively, and is included in payroll taxes and benefits in the accompanying Statements of Functional Expenses.

15. Subsequent Event

In preparing these financial statements, Polaris has evaluated events and transactions for potential recognition or disclosure through September 30, 2025, the date the financial statements were available to be issued. As such, on May 15, 2025, Polaris entered into a settlement agreement to terminate its lease with its landlord. The settlement agreement called for Polaris to make the following payments to the landlord: 1) five monthly installments of \$30,000 starting May 15, 2025; 2) one payment equal to 50% of the cost of the Office Decommission project or \$28,750; 3) twelve payments of \$60,000 starting October 15, 2025, if Polaris is awarded the National Human Trafficking Hotline Program cooperative agreement in September 2025; and 4) the Landlord shall draw \$133,859 down from the letter of credit that the Landlord is holding under the lease.

POLARIS PROJECT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2024

Federal Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
Department of Health and Human Services				
<i>Administration for Children and Families (ACF)/Office on Trafficking in Persons (OTIP)</i>				
Services to Victims of a Severe Form of Trafficking				
National Human Trafficking Hotline Year 12	93.598	90ZV0138-04	\$ 3,459,791	\$ -
National Human Trafficking Hotline Year 13	93.598	90ZV0138-05	1,867,112	-
Justice in Motion, Inc.				
Department of State Office to Monitor and Combat Trafficking in Persons				
Leveraging Local Defenders to Prevent Trafficking on I	19.019	SSJTIP24CA0019	<u>30,304</u>	<u>-</u>
TOTAL			<u>\$ 5,357,207</u>	<u>\$ -</u>

See accompanying independent auditor's report.

POLARIS PROJECT, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Polaris Project, Inc. (Polaris) under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Polaris, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Polaris.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

Polaris has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. Polaris has a provisional indirect cost rate of 46% through December 31, 2024. Polaris has been approved to use this provisional rate until a new rate is established.

4. Subrecipients

Polaris did not provide federal awards to any subrecipients during the year ended December 31, 2024.

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, 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, the financial statements of Polaris Project, Inc. (Polaris), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Polaris' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Polaris' internal control. Accordingly, we do not express an opinion on the effectiveness of Polaris' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

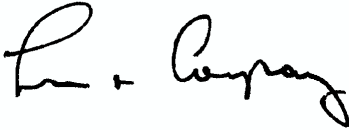
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polaris' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Polaris' internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Polaris' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "L. + Company".

Washington, D.C., USA
September 30, 2025

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited Polaris Project Inc.'s (Polaris) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Polaris' major federal program for the year ended December 31, 2024. Polaris' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Polaris complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Polaris and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of Polaris' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Polaris' federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Polaris' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Polaris' compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Polaris' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Polaris' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Polaris' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

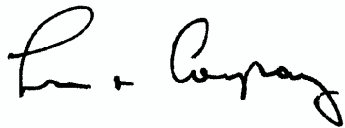
Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "L. R. Conway". The signature is fluid and cursive, with the first name "L." and last name "Conway" clearly distinguishable.

Washington, D.C., USA
September 30, 2025

POLARIS PROJECT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

* Material weakness identified? No

* Reportable conditions identified
that are not considered to be
material weaknesses? No

Noncompliance material to financial
statements noted? No

Federal Awards

Internal control over major programs:

* Material weakness identified? No

* Reportable conditions identified
that are not considered to be
material weaknesses? No

Type of auditor's report issued on
compliance for major programs: Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with the Uniform Guidance? No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.598	Services to Victims of a Severe Form of Trafficking

Dollar threshold used to distinguish
between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

POLARIS PROJECT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2024
(Continued)

Section II – Financial Statement Audit Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

Nothing is reportable.

POLARIS PROJECT, INC.
PRIOR YEAR FINDINGS
For the Year Ended December 31, 2023

None noted.