

**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.  
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JUNE 30, 2021 AND 2020**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
National Center on Sexual Exploitation, Inc.

We have audited the accompanying financial statements of the National Center on Sexual Exploitation, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 the National Center on Sexual Exploitation, Inc. as of June 30, 2021 and 2020, 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.

*Warren Averett, LLC*

Birmingham, Alabama

February 4, 2022

**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 632,207	\$ 1,645,863
Investments	2,522,728	1,821,783
Accounts receivable, net	132,210	24,517
Pledges receivable, net	808,186	-
Property and equipment, net	847,349	31,197
Other assets	125,914	30,629
<b>TOTAL ASSETS</b>	<u>\$ 5,068,594</u>	<u>\$ 3,553,989</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 62,636	\$ 31,652
Deferred rent	951,836	-
Capital lease payable	-	1,053
Note payable - paycheck protection program	-	204,392
<b>TOTAL LIABILITIES</b>	<u>1,014,472</u>	<u>237,097</u>
<b>NET ASSETS</b>		
Without donor restrictions	3,129,122	3,316,892
With donor restrictions	925,000	-
Total net assets	<u>4,054,122</u>	<u>3,316,892</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,068,594</u>	<u>\$ 3,553,989</u>

See notes to the financial statements.

**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 3,749,279	\$ 944,250	\$4,693,529	\$5,299,636
Grant income -				
Paycheck Protection Program	204,392	-	204,392	-
Other income	125,861	-	125,861	31,349
Net assets released from restriction	19,250	(19,250)	-	-
Total revenue and support	4,098,782	925,000	5,023,782	5,330,985
<b>EXPENSES</b>				
Program services:				
Research	503,420	-	503,420	223,499
Litigation	1,087,311	-	1,087,311	980,317
Training and Education	423,885	-	423,885	207,190
Corporate Accountability	383,432	-	383,432	490,104
Public Policy	597,568	-	597,568	139,909
Survivor Services	10,140	-	10,140	117,626
Coalition and Movement Leadership	391,817	-	391,817	234,489
Supporting services:				
Fundraising	661,929	-	661,929	127,152
General and administrative expenses	552,429	-	552,429	226,718
Total expenses	4,611,931	-	4,611,931	2,747,004
	(513,149)	925,000	411,851	2,583,981
<b>INVESTMENT INCOME</b>	325,379	-	325,379	8,581
<b>CHANGE IN NET ASSETS</b>	(187,770)	925,000	737,230	2,592,562
<b>NET ASSETS - BEGINNING OF YEAR</b>	3,316,892	-	3,316,892	724,330
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,129,122</u>	<u>\$ 925,000</u>	<u>\$4,054,122</u>	<u>\$3,316,892</u>

See notes to the financial statements.

**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Research</u>	<u>Litigation</u>	<u>Training and Education</u>	<u>Corporate Accountability</u>	<u>Public Policy</u>	<u>Survivor Services</u>	<u>Coalition and Movement Leadership</u>	<u>Total Programs</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Advertising	\$ 927	\$ 21,632	\$ 14,164	\$ 18,759	\$ 816	\$ 536	\$ 12,327	\$ 69,161	\$ 689	\$ 6,438	\$ 76,288
Bank and credit card fees	-	-	-	-	-	-	3,368	3,368	19,777	15,387	38,532
Conference expenses	592	6,719	1,942	158	5,507	857	60,783	76,558	1,776	1,171	79,505
Contract labor	39,098	43,475	30,464	20,851	40,836	-	27,459	202,183	-	5,931	208,114
Depreciation and amortization	-	-	-	-	-	-	-	-	-	32,916	32,916
Dues and subscriptions	1,497	27,009	129	3,351	1,431	-	345	33,762	16,404	1,092	51,258
Equipment rental	62	61	62	62	62	-	123	432	61	123	616
Insurance	1,054	1,074	1,054	1,054	1,054	-	2,108	7,398	1,074	1,302	9,774
Internet and phone	10,615	17,286	25,504	20,702	34,879	465	24,696	134,147	12,038	16,068	162,253
Meals and entertainment	157	1,582	280	375	425	126	332	3,277	710	1,132	5,119
Office expense	301	2,708	1,992	104	584	2,979	534	9,202	190	22,781	32,173
Office rent	3,162	3,162	6,365	3,162	3,162	-	6,709	25,722	3,162	139,225	168,109
Postage	-	4,444	1,850	5,649	-	-	1,700	13,643	10,781	1,015	25,439
Printing	2,738	7,409	10,464	6,078	2,975	-	3,064	32,728	3,239	576	36,543
Professional fees	15,005	59,823	55,655	33,493	5,506	-	14,614	184,096	63,688	64,057	311,841
Salaries and wages	427,365	876,591	273,154	268,250	499,471	1,608	233,454	2,579,893	521,172	232,900	3,333,965
Travel	847	14,336	806	1,384	860	3,569	201	22,003	7,168	10,315	39,486
	<u>\$ 503,420</u>	<u>\$ 1,087,311</u>	<u>\$ 423,885</u>	<u>\$ 383,432</u>	<u>\$ 597,568</u>	<u>\$ 10,140</u>	<u>\$ 391,817</u>	<u>\$ 3,397,573</u>	<u>\$ 661,929</u>	<u>\$ 552,429</u>	<u>\$ 4,611,931</u>

See notes to the financial statements.

**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Research</u>	<u>Litigation</u>	<u>Training and Education</u>	<u>Corporate Accountability</u>	<u>Public Policy</u>	<u>Survivor Services</u>	<u>Coalition and Movement Leadership</u>	<u>Total Programs</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Advertising	\$ 5,263	\$ 7,881	\$ 12,986	\$ 31,700	\$ 3,445	\$ 4,871	\$ 19,481	\$ 85,627	\$ 1,367	\$ -	\$ 86,994
Bank and credit card fees	-	886	-	-	6,721	-	4,272	11,879	-	1,672	13,551
Conference expenses	5,873	43,818	5,098	18,352	11,199	4,453	102,442	191,235	104	533	191,872
Contract labor	15,930	44,518	8,492	27,579	6,986	9,416	1,044	113,965	-	8,625	122,590
Depreciation and amortization	-	-	-	-	-	-	-	-	-	12,010	12,010
Dues and subscriptions	485	9,330	9,144	720	244	236	155	20,314	6,116	2,755	29,185
Equipment rental	-	-	3,537	666	-	333	1,331	5,867	-	-	5,867
Insurance	15,921	46,141	10,685	29,126	9,541	4,659	-	116,073	-	9,732	125,805
Internet and phone	7,783	27,519	19,425	27,623	5,244	4,710	4,749	97,053	4,626	2,019	103,698
Meals and entertainment	116	5,168	842	1,201	453	300	958	9,038	-	-	9,038
Office expense	648	473	(2,297)	2,114	2,284	775	4,984	8,981	(2,122)	184	7,043
Office rent	22,336	44,477	12,121	52,043	24,819	8,015	6,935	170,746	-	565	171,311
Postage	585	2,846	8,178	5,072	467	1,574	-	18,722	3,590	108	22,420
Printing	2,369	12,664	11,118	19,680	4,637	5,337	732	56,537	8,708	98	65,343
Professional fees	639	36,120	424	45,402	18,191	18,191	3,475	122,442	29,213	46,998	198,653
Salaries and wages	144,376	676,583	104,111	224,296	43,106	53,511	83,698	1,329,681	75,550	144,260	1,549,491
Travel	1,175	21,893	3,326	4,530	2,572	1,245	233	34,974	-	(2,841)	32,133
	<u>\$ 223,499</u>	<u>\$ 980,317</u>	<u>\$ 207,190</u>	<u>\$ 490,104</u>	<u>\$ 139,909</u>	<u>\$ 117,626</u>	<u>\$ 234,489</u>	<u>\$ 2,393,134</u>	<u>\$ 127,152</u>	<u>\$ 226,718</u>	<u>\$ 2,747,004</u>

See notes to the financial statements.



**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 737,230	\$ 2,592,562
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	32,916	12,010
Net realized and unrealized gains on investments	(325,379)	(8,581)
Forgiveness of PPP note payable	(204,392)	-
Change in accounts receivable	(915,879)	190
Change in other assets	(95,285)	(8,709)
Change in accounts payable	30,984	(69,494)
Change in accrued expenses	951,836	(17,013)
Net cash provided by operating activities	<u>212,031</u>	<u>2,500,965</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,420,586)	(1,735,156)
Sale of investments	1,045,020	235,691
Purchase of property and equipment	(849,068)	(12,992)
Net cash used in investing activities	<u>(1,224,634)</u>	<u>(1,512,457)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of related party payable	-	(55,000)
Repayment of capital lease obligation	(1,053)	(3,480)
Change in PPP note payable	-	204,392
Net cash (used in) provided by financing activities	<u>(1,053)</u>	<u>145,912</u>
<b>(DECREASE) INCREASE IN CASH</b>	<b>(1,013,656)</b>	<b>1,134,420</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,645,863</b>	<b>511,443</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 632,207</u></b>	<b><u>\$ 1,645,863</u></b>

See notes to the financial statements.

**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS**

### **Nature of Operations**

The National Center on Sexual Exploitation, Inc. (the Organization) was established in December 1963, as a nonprofit corporation, incorporated in the State of New York, exclusively for charitable purposes. The Organization changed its name from Morality in Media Inc. to National Center on Sexual Exploitation, Inc. in April 2019.

The Organization is a not-for-profit organization incorporated for the purpose of exposing the links between all forms of sexual exploitation such as child abuse, prostitution, sex trafficking and the public health crisis of pornography. As the thread of pornography in the web of sexual exploitation is systematically overlooked by society, the Organization has prominently advanced this issue as a central pillar of its projects in order to promote more holistic solutions. To accomplish its vision of abolition of sexual exploitation, the Organization operates on the cutting edge of policy activism to combat corporate and government policies that foster exploitation, advance public education and empowerment and spur united action by leading the movement through the International Coalition to End Sexual Exploitation.

### **Basis of Accounting**

The financial statements of the Organization are prepared under the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Net assets of the Organization are recorded based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes.
- **Net Assets with Donor Restrictions** – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are classified as net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

### **Revenue and Support**

Contributions are recognized in the period pledged to the Organization. Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

### **Use of Management Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS – CONTINUED**

**Reclassifications**

Certain prior period amounts have been reclassified to conform to the current year presentation. The reclassifications had no effect on net assets or the change in net assets previously reported.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand that is not restricted or designated for a specific purpose. The Organization maintains cash accounts at a financial institution. The amount of cash held at June 30, 2021 and 2020, respectively, was \$632,207 and \$1,645,863. Such amounts exceed the Federal Deposit Insurance Corporation insured limit of \$250,000. The Organization believes that no significant concentration of credit risk exists with respect to its cash accounts. The Organization has not experienced any losses with respect to its cash accounts.

**Investments**

Investments in equity securities with readily determinable fair values are recorded at fair market value. The Organization's investments as of June 30, 2021 and 2020, respectively, are valued at \$2,522,728 and \$1,821,783 and consisted of common stock, mutual funds, bonds and certificates of deposit. Realized gains and losses are reflected in the statements of activities.

**Accounts Receivable**

The Organization reports accounts receivable at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. Based on management's analysis, no allowance for doubtful accounts has been recorded as of June 30, 2021 and 2020, respectively.

**Property and Equipment**

Property and equipment is stated at cost or if donated, at the estimated fair value at the date of donation, including expenditures that substantially increase the useful lives of existing property and equipment. When property and equipment is retired or otherwise disposed, the related costs and accumulated depreciation are removed from the respective accounts, and any gain or loss on the disposition is recognized.

The Organization provides for depreciation of property and equipment using the straight-line method designed to amortize costs over estimated useful lives as shown below:

<b>Item</b>	<b>Estimated Useful Lives</b>
Computer equipment	5 years
Furniture and equipment	7 years
Leasehold improvements	12 years

**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS – CONTINUED**

**Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, personnel costs have been allocated among the programs and supporting services benefitted based on estimates of time and effort, and occupancy costs have been allocated on the basis of the function of the personnel using the space involved.

**Fair Value Measurements**

The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the Organization would expect to receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

**Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Management believes that all revenue-producing activities of the Organization comply with Section 501(c)(3) of the Internal Revenue Code; accordingly, no accrual for income taxes has been made in the accompanying financial statements.

**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS – CONTINUED**

**Income Taxes – Continued**

The Organization adheres to the provisions of GAAP relating to uncertainty in income taxes. Such provisions require entities to assess their uncertain tax positions for the likelihood that they would be overturned upon Internal Revenue Service examination or upon examination by state taxing authorities. In accordance with these provisions, the Organization has determined that it does not have any positions at June 30, 2021, that it would be unable to substantiate. The Organization has filed its tax returns through June 30, 2020. The tax returns for years ended June 30, 2018, and thereafter are subject to audit by the taxing authorities.

**Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Subtopic 842)*. The purpose of this ASU is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on their balance sheets and disclosing key information about leasing arrangements. The amendments in this ASU require that lessees recognize the rights and obligations resulting from leases as assets and liabilities on their balance sheets, initially measured at the present value of the lease payments over the term of the lease, including payments to be made in optional periods to extend the lease and payments to purchase the underlying assets if the lessee is reasonably certain of exercising those options. Subtopic 842 requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous generally accepted accounting principles (GAAP). This guidance is effective for the Organization for the fiscal year ending June 30, 2023. Management is currently evaluating the impact of this guidance on the financial statements.

**Subsequent Events**

Management has evaluated subsequent events and their potential effects on these financial statements through February 4, 2022, the date the financial statements were available to be issued.

**2. INVESTMENTS**

The investments of the Organization consist of the following at June 30:

	<b>June 30, 2021</b>		<b>June 30, 2020</b>	
	<b>Cost or Amortized Cost</b>	<b>Fair Value</b>	<b>Cost or Amortized Cost</b>	<b>Fair Value</b>
Certificates of deposit	\$ -	\$ -	\$ 400,000	\$ 401,778
Money market accounts	-	-	200,000	200,000
Mutual funds	408,319	630,733	940,362	947,850
Fixed income securities	1,657,130	1,891,995	265,990	272,155
	<u>\$ 2,065,449</u>	<u>\$ 2,522,728</u>	<u>\$ 1,806,352</u>	<u>\$ 1,821,783</u>

**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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**3. PLEDGES RECEIVABLE**

Pledges are recognized when the donor makes a promise to the Organization that is, in substance, unconditional. Unconditional promises to give due in more than one year are initially recorded at fair value, measured as the present value of their estimated future cash flows, utilizing discount rates commensurate with the associated risk. The rate used was 1.78% at June 30, 2021; no pledges were due at June 30, 2020. Pledges receivable due in more than one year are not marked to fair value on a recurring basis. At June 30, 2021, contributions receivable are scheduled to be collected as follows:

	<b>2021</b>
Amounts due in:	
Less than one year	\$ 437,500
One to five years	382,500
Contributions receivable, gross	820,000
Present value discount	(11,814)
Contributions receivable net	\$ 808,186

**4. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<b>2021</b>	<b>2020</b>
Furniture and equipment	\$ 1,034	\$ 1,034
Leashold improvements	814,268	-
Computer equipment	101,091	66,291
	916,393	67,325
Less accumulated depreciation	69,044	36,128
	\$ 847,349	\$ 31,197

Depreciation expense incurred amounted to \$32,916 and \$12,010 for the years ended June 30, 2021 and 2020, respectively.

The Organization entered into a new lease agreement in April 2021. The agreement included a tenant improvement allowance of \$958,000. The Organization received \$814,268 of improvements during the year and amortized the additions over the lease term. The total is included in Leasehold Improvements on the Statement of Financial Position and related amortization of \$16,964 is included in the Statement of Activities for the year ended June 30, 2021.

**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
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**5. OPERATING LEASE COMMITMENTS**

The Organization previously leased office space totaling 9,800 square feet under an operating lease expiring August 31, 2020. In April 2021, the Organization relocated to a new office in Washington D.C. The Organization leases the office space under an operating lease expiring March 31, 2033. The lease includes an arrangement for a rent abatement. The abatement terms include no rent payments to be made for the first 12 months of the lease and no rent payment to be made on 2,000 square feet of the office space for the following 18 months. Rent expense associated with both leases totaled \$168,109 and \$171,311 for the years ended June 30, 2021 and 2020, respectively.

Minimum future rental payments under the noncancelable operating lease are as follows:

2022	\$ 107,807
2023	433,917
2024	532,952
2025	576,165
2026	590,535
Thereafter	4,389,676
	<u>\$ 6,631,052</u>

**6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the following purposes at June 30:

	<b>2021</b>
Trafficking research and awareness	\$ 19,250
National strategy	420,000
Law Center	500,000
Research, awareness and education	5,000
	<u>\$ 944,250</u>

The various purposes of the above donor restricted amounts are as follows:

**Trafficking Research and Awareness** – Funds collected from the Department of Justice for the purpose of funding efforts related to sex trafficking.

**National Strategy** – Funds pledged by one donor for the purpose of paying the salaries of employees and contractors that work on the Organization’s national strategy for combatting trafficking of women and girls.

**NATIONAL CENTER ON SEXUAL EXPLOITATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**6. NET ASSETS WITH DONOR RESTRICTIONS – CONTINUED**

**Law Center** – Funds collected from one donor for the purpose of supporting the Organization’s law center.

**Research, Awareness and Education** – Funds collected from one donor for the purpose of funding research related to various functions of the Organization.

Net assets with donor restrictions released from restrictions related to trafficking research and awareness during the year ended June 30, 2021, totaled \$19,250.

**7. RETIREMENT PLAN**

The Organization has adopted a retirement contribution plan for its employees. All employees who have six months of employment are eligible to participate. During the years ended June 30, 2021 and 2020, the Organization matched 100% of the employees’ optional contributions up to 5%. During the years ended June 30, 2021 and 2020, the Organization made contributions totaling \$107,391 and \$32,012 to the plan, respectively.

**8. FAIR VALUE MEASUREMENTS**

Investment income for the years ended June 30, 2021 and 2020, consists of the following:

	<u>2021</u>	<u>2020</u>
Unrealized gains	\$ 263,302	\$ 17,167
Realized gains (losses) on sales of securities	<u>62,077</u>	<u>(8,586)</u>
	<u>\$ 325,379</u>	<u>\$ 8,581</u>

The Organization’s assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with generally accepted accounting principles. See Note 1 for a discussion of the Organization’s policies regarding this hierarchy.



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**8. FAIR VALUE MEASUREMENTS – CONTINUED**

The following fair value hierarchy tables present information about the Organization’s assets measured or disclosed at fair value on a recurring basis at June 30, 2021 and 2020, respectively:

<b>Investment Assets at Fair Value as of June 30, 2021</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
Mutual funds	\$ 630,733	\$ -	\$ -	\$ 630,733
Fixed income securities	-	1,891,995	-	1,891,995
<b>TOTAL</b>	<b>\$ 630,733</b>	<b>\$ 1,891,995</b>	<b>\$ -</b>	<b>\$ 2,522,728</b>

<b>Investment Assets at Fair Value as of June 30, 2020</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
Certificates of deposit	\$ 401,778	\$ -	\$ -	\$ 401,778
Money markets	200,000	-	-	200,000
Mutual funds	947,850	-	-	947,850
Fixed income securities	-	272,155	-	272,155
<b>TOTAL</b>	<b>\$ 1,549,628</b>	<b>\$ 272,155</b>	<b>\$ -</b>	<b>\$ 1,821,783</b>

**9. CONTRIBUTIONS CONCENTRATION**

Approximately 58% and 43% of the Organization’s contributions were made by three donors for the years ended June 30, 2021 and 2020, respectively. There were no significant concentrations of accounts receivable as of June 30, 2021 or 2020.

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**10. LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	<u>2021</u>	<u>2020</u>
Financial assets, at year end		
Cash	\$ 632,207	\$ 1,645,863
Short-term investments	-	100,000
Accounts receivable, net	132,210	24,517
Pledges receivable, net	437,500	-
Long term investments without donor restrictions	<u>2,522,728</u>	<u>1,721,783</u>
Total financial assets at June 30	3,724,645	3,492,163
Less: assets unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions	<u>437,500</u>	<u>-</u>
Total financial assets and liquidity resources available within one year	<u>\$ 3,287,145</u>	<u>\$ 3,492,163</u>

The Organization obtains certain support from donor-restricted contributions. Because a donor's restriction requires resources to be used for a particular purpose or in a future period, the Organization must maintain sufficient resources to meet those responsibilities of its donors. Income from donor-restricted endowments is available for general use. Donor-restricted endowment funds are not available for general expenditure. Due to the donor restrictions above, certain financial assets may not be available for general expenditure within one year.

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**11. GRANT INCOME**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed in 2020 by the United States Congress and signed into law by the President of the United States, allocated funds to the Paycheck Protection Program to help small businesses keep workers employed amid the COVID-19 pandemic and economic downturn. On May 6, 2020, the Organization entered into a \$204,392 term loan under the Paycheck Protection Program (the PPP Term Loan). The U.S. Small Business Administration, an agency of the United States, fully guaranteed the PPP Term Loan. The PPP Term Loan is eligible to be partially or fully forgiven if used for specific expenses over the 24-week period after the loan was made, with the remaining balance, if any, repayable in 17 equal monthly installments beginning November 23, 2020. The PPP Term Loan bears interest at a fixed rate of 1.00%.

On November 10, 2020, the Organization was granted forgiveness of the loan and related interest expense. The forgiven amount of \$204,392 is reflected in the statement of activities as of June 30, 2021.