

# **ECPAT-USA, INC.**

Financial Statements

December 31, 2022

**ECPAT-USA, INC.**

Financial Statements

December 31, 2022

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## INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of  
ECPAT-USA, Inc.  
Brooklyn, New York**

### **Opinion**

We have audited the accompanying financial statements of ECPAT-USA, Inc. 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 referred to above present fairly, in all material respects, the financial position of ECPAT-USA, Inc. as of December 31, 2022 and 2021 and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ECPAT-USA, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ECPAT-USA, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**To the Board of Directors of  
ECPAT-USA, Inc.**

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### **Auditors' 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 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, including omissions, 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, 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 ECPAT-USA, 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 ECPAT-USA, 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.

*PKF O'Connor Davies, LLP*

**New York, New York**

August 4, 2023

**ECPAT-USA, INC.**Statements of Financial Position  
December 31,

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,363,538	\$ 1,629,550
Investments	231,133	-
Unconditional promises to give		
Without donor restrictions	301,800	154,887
With donor restrictions	285,208	360,522
Grants receivable	198,441	175,726
Program revenue receivable	42,203	37,160
Prepaid expenses and other current assets	40,855	33,124
Property and equipment, net of allowance for depreciation	<u>1,301</u>	<u>2,673</u>
Total Assets	<u><u>\$ 2,464,479</u></u>	<u><u>\$ 2,393,642</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Grants payable	\$ 135,000	\$ 285,000
Accounts payable and accrued expenses	<u>244,588</u>	<u>100,768</u>
Total Liabilities	<u><u>379,588</u></u>	<u><u>385,768</u></u>
Net assets		
Without donor restrictions	1,680,279	1,421,369
With donor restrictions	<u>404,612</u>	<u>586,505</u>
Total Net Assets	<u><u>2,084,891</u></u>	<u><u>2,007,874</u></u>
Total Liabilities and Net Assets	<u><u>\$ 2,464,479</u></u>	<u><u>\$ 2,393,642</u></u>

See Notes to Financial Statements.

**ECPAT-USA, INC.**

Statements of Activities  
For the Years Ended December 31,

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 885,920	\$ 229,343	\$ 1,115,263	\$ 936,364	\$ 871,505	\$ 1,807,869
Government grants	457,438	-	457,438	320,413	-	320,413
Special events	247,807	-	247,807	-	-	-
Less: event costs	(145,907)	-	(145,907)	-	-	-
In-Kind contributions	-	-	-	16,330	-	16,330
Investment income (loss)	(4,275)	-	(4,275)	1,444	-	1,444
Program revenue	362,280	-	362,280	225,585	-	225,585
Other revenue	8,818	-	8,818	12,012	-	12,012
Satisfaction of program and time restrictions	411,236	(411,236)	-	47,998	(47,998)	-
Total Support and Revenue	<u>2,223,317</u>	<u>(181,893)</u>	<u>2,041,424</u>	<u>1,560,146</u>	<u>823,507</u>	<u>2,383,653</u>
<b>EXPENSES</b>						
Program Services						
Educational programs	1,602,332	-	1,602,332	1,035,877	285,000	1,320,877
Total Program Services	<u>1,602,332</u>	<u>-</u>	<u>1,602,332</u>	<u>1,035,877</u>	<u>285,000</u>	<u>1,320,877</u>
Supporting Services						
Management and General	227,223	-	227,223	181,074	-	181,074
Fundraising	134,852	-	134,852	231,029	-	231,029
Total Supporting Services	<u>362,075</u>	<u>-</u>	<u>362,075</u>	<u>412,103</u>	<u>-</u>	<u>412,103</u>
Total Expenses	<u>1,964,407</u>	<u>-</u>	<u>1,964,407</u>	<u>1,447,980</u>	<u>285,000</u>	<u>1,732,980</u>
Change in Net Assets	258,910	(181,893)	77,017	112,166	538,507	650,673
<b>NET ASSETS</b>						
Beginning of year	<u>1,421,369</u>	<u>586,505</u>	<u>2,007,874</u>	<u>1,309,203</u>	<u>47,998</u>	<u>1,357,201</u>
End of year	<u>\$ 1,680,279</u>	<u>\$ 404,612</u>	<u>\$ 2,084,891</u>	<u>\$ 1,421,369</u>	<u>\$ 586,505</u>	<u>\$ 2,007,874</u>

See Notes to Financial Statements

**ECPAT-USA, INC.**

Statements of Functional Expenses  
For the Years Ended December 31,

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		
<u>2022</u>	<u>Educational Programs</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 752,415	\$ 108,902	\$ 128,703	\$ 990,020
Fringe benefits and taxes	243,030	35,175	41,571	319,776
Rent and related items	14,186	2,955	2,561	19,702
Contract services	425,795	4,301	-	430,096
Grants and awards	30,000	-	-	30,000
Telephone and equipment rental	4,142	1,822	1,579	7,543
Postage and messenger	1,037	216	187	1,440
Office expenses	23,079	3,852	3,335	30,266
Event and meeting expenses	39,440	-	93,434	132,874
Printing	3,450	719	623	4,792
Insurance	4,699	979	849	6,527
Professional fees	7,719	62,455	-	70,174
Travel	20,627	4,297	3,724	28,648
Publications and videos	19,980	-	-	19,980
Advertising	5,293	-	2,850	8,143
Other expenses	6,452	1,344	1,165	8,961
Total expenses before depreciation	<u>1,601,344</u>	<u>227,017</u>	<u>280,581</u>	<u>2,108,942</u>
Depreciation	<u>988</u>	<u>206</u>	<u>178</u>	<u>1,372</u>
Total Expenses	1,602,332	227,223	280,759	2,110,314
Less expenses of direct benefit to donors on the statement of activities	<u>-</u>	<u>-</u>	<u>(145,907)</u>	<u>(145,907)</u>
Total expenses reported by function on the statement of activities	<u>\$ 1,602,332</u>	<u>\$ 227,223</u>	<u>\$ 134,852</u>	<u>\$ 1,964,407</u>
<u>2021</u>				
Salaries	\$ 551,081	\$ 83,040	\$ 120,784	\$ 754,905
Fringe benefits and taxes	185,429	27,941	40,642	254,012
Rent and related items	1,589	421	327	2,337
Contract services	193,529	14,725	2,104	210,358
Grants and awards	325,834	-	-	325,834
Telephone and equipment rental	14,973	3,963	3,083	22,019
Postage and messenger	1,590	421	327	2,338
Office expenses	12,080	3,198	2,487	17,765
Event and meeting expenses	-	-	54,753	54,753
Printing	1,193	316	246	1,755
Insurance	3,224	853	664	4,741
Professional fees	6,815	41,866	-	48,681
Travel	7,733	2,047	1,592	11,372
Publications and videos	3,015	-	-	3,015
Advertising	4,167	-	2,244	6,411
Other expenses	7,692	2,036	1,584	11,312
Total expenses before depreciation	<u>1,319,944</u>	<u>180,827</u>	<u>230,837</u>	<u>1,731,608</u>
Depreciation	<u>933</u>	<u>247</u>	<u>192</u>	<u>1,372</u>
Total Expenses	<u>\$ 1,320,877</u>	<u>\$ 181,074</u>	<u>\$ 231,029</u>	<u>\$ 1,732,980</u>

See Notes to Financial Statements

**ECPAT-USA, INC.**Statements of Cash Flows  
For the Years Ended December 31,

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2022</u>	<u>2021</u>
Change in net assets	\$ 77,017	\$ 650,673
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	1,372	1,372
Unrealized loss on investments	7,138	-
Loan forgiveness	-	(105,782)
(Increase) decrease in:		
Unconditional promises to give	(71,599)	(375,669)
Grants receivable	(22,715)	(152,727)
Program fees receivable	(5,043)	(37,160)
Prepaid expenses and other current assets	(7,731)	18,407
Increase (Decrease) in:		
Grants payable	(150,000)	285,000
Accounts payable and accrued expenses	143,820	48,294
	<u>(27,741)</u>	<u>332,408</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturity of investments	-	206,355
Acquisition of investments	<u>(238,271)</u>	<u>-</u>
	<u>(238,271)</u>	<u>206,355</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from payroll Protection Program Loan	<u>-</u>	<u>105,782</u>
	<u>-</u>	<u>105,782</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(266,012)	644,545
Beginning of year	<u>1,629,550</u>	<u>985,005</u>
End of year	<u><u>\$ 1,363,538</u></u>	<u><u>\$ 1,629,550</u></u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
<b>Noncash financing activities:</b>		
Forgiveness of the Paycheck Protection Program Loan	\$ -	\$ 105,782

See Notes to Financial Statements.



# **ECPAT-USA, INC.**

## **Notes to Financial Statements December 31, 2022**

### **1. Organization**

ECPAT-USA, Inc. (the “Organization”) is a not-for-profit organization committed to ending commercial sexual exploitation of children including trafficking for sexual purposes. It conducts policy development and advocacy, research, and awareness raising activities to protect children trafficked into the U.S., American children who are trafficked and foreign children exploited by Americans who travel abroad.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation***

The accompanying financial statements have been prepared using the accrual basis of accounting and conform with accounting principles generally accepted in the United States of America (“US GAAP”).

#### ***Use of Estimates***

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### ***Net Assets***

The Organization reports information regarding its financial position and activities according to two classes of net assets based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met. This category may also include amounts designated by the Board of Directors.

**Net Assets with Donor Restrictions** – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be time-based or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may require the assets to be maintained in perpetuity.

#### ***Cash and Cash Equivalents***

The Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents. Cash equivalents consist of money market account balances.

# ECPAT-USA, INC.

## Notes to Financial Statements December 31, 2022

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Investments***

Investments consist of equity securities and are reported at fair market value. Realized and unrealized gains and losses are recognized in the year incurred in the statement of activities.

#### ***Promises to Give***

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increase in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

#### ***Property and Equipment***

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as separate line items within the statement of activities as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five years for equipment and seven years for furniture and fixtures. There were no donor imposed restrictions on property and equipment as of December 31, 2022.

#### ***Contributed Services***

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

# **ECPAT-USA, INC.**

Notes to Financial Statements  
December 31, 2022

## **2. Summary of Significant Accounting Policies (continued)**

### ***Contributions***

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions

### ***In-kind Contributions***

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

### ***Program Revenue***

Program revenue primarily consists of educational programs offered by the Organization. The Organization believes it has one performance obligation to the customers participating in these educational programs: to provide educational services regarding commercial sexual orientation of children including trafficking for sex purposes. The Organization believes it satisfies the performance obligation in its normal course of business as the educational services are provided. Revenue is recognized over time the amount which the Organization has a right to invoice the customer, as such billed amounts corresponds directly with the value to the customer of the Organization performance completed to date. The customers are not entitled to refunds.

### ***Income Taxes***

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2019.

### ***Allocation of Functional Expenses***

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits and occupancy which are allocated on the basis of estimates of time and effort.

# ECPAT-USA, INC.

## Notes to Financial Statements December 31, 2022

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Concentration of Credit Risk***

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, investments held at financial institutions and unconditional promises to give. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation (“FDIC”) are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation (“SIPC”) are insured up to \$500,000 (\$250,000 for cash holdings). At times cash balances may exceed the FDIC limit. As of December 31, 2022 and 2021, the Organization’s uninsured cash balances on deposit totaled approximately \$1,081,964 and \$1,357,047, respectively.

The Organization does not have a material concentration of credit risk, with respect to unrestricted promises to give, due to generally short payment terms.

#### ***Reclassification***

Certain balances in 2021 financial statements have been reclassified to conform to the 2022 presentation. The reclassifications had no impact on the change in net assets or net assets for 2021.

#### ***Change in Accounting Policy***

The Company adopted FASB Topic 842, Leases, using the effective date method with January 1, 2022, as the date of initial adoption, with certain practical expedients available. The Company elected the available practical expedient to account for its existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. The Company also adopted the practical expedient related to the short-term lease to office space and leased equipment. Short-term lease payments due during the year ended December 31 2022 were \$35,000.

### 3. Restrictions on Net Assets

The Organization’s net assets with donor restrictions consists of the following at December 31:

	<u>2022</u>		<u>2021</u>
Program purposes	\$ 354,612	\$	481,505
Time restricted	50,000		105,000
	<u>\$ 404,612</u>	\$	<u>586,505</u>

# ECPAT-USA, INC.

## Notes to Financial Statements December 31, 2022

### 3. Restrictions on Net Assets *(continued)*

The Organization reclassifies a portion of the contribution from net assets with donor restrictions upon satisfaction of restriction.

### 4. Promises to Give

Unconditional promises to give without and with donor restrictions consist of donations and are due in less than one year.

### 5. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the statement of financial position dates, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	December 31,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 1,363,538	\$ 1,629,550
Investments	231,133	-
Unconditional promises to give	587,008	515,409
Grants receivable	158,552	175,726
Program revenue receivable	42,203	37,160
Total financial assets	2,382,434	2,357,845
Less: donor restricted net assets	(404,612)	(586,505)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,977,822	\$ 1,771,340

The Organization will rely on future contributions, grants and program revenue to support its ongoing operations.

### 6. Fair Values of Financial Instruments

The estimated fair value of the Organization's financial instruments, none of which are held for trading purposes are as follows:

	<u>December 31, 2022</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:			
Cash and cash equivalents	\$ 1,363,538	\$ 1,363,538	\$ 1,363,538
Unconditional promises to give	587,008	587,008	587,008
Grants receivable	158,552	158,552	158,552
Program receivable	42,203	42,203	42,203
Investments	231,133	231,133	231,133

## ECPAT-USA, INC.

### Notes to Financial Statements December 31, 2022

#### 6. Fair Values of Financial Instruments *(continued)*

<u>December 31, 2021</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 1,629,550	\$ 1,629,550
Unconditional promises to give	515,409	515,409
Grants receivable	175,726	175,726
Program revenue receivable	37,160	37,160

The following methods and assumptions were used by the Organization estimating its fair value disclosures for financial instruments: Cash and cash equivalents, unconditional promises to give, grants receivable and program revenue receivable. The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments. The fair value of investments are based upon quoted market prices.

#### 7. Investments

Investments consist of corporate stocks, are stated at fair value based on quoted prices in active markets (all Level 1 measurements), and are summarized as follows, at December 31, 2022:

<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Depreciation</u>
\$ 238,271	\$ 231,133	\$ (7,138)

#### 8. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 13,529	\$ 13,529
Furniture and Fixtures	9,658	9,658
	<u>23,187</u>	<u>23,187</u>
Less: Accumulated Depreciation	<u>(21,886)</u>	<u>(20,514)</u>
	<u>\$ 1,301</u>	<u>\$ 2,673</u>

Depreciation expense amounted to \$1,372 in 2022 and in 2021.

## ECPAT-USA, INC.

### Notes to Financial Statements December 31, 2022

#### 9. Grants Payable

Grants payable consist of grants awarded but not yet paid.

#### 10. Commitments and Contingency

The Organization did not lease office space in 2021. The Organization leased office space from August 1, 2022 through April 30, 2023. Said lease was extended from May 1, 2023 through October 31, 2023 at \$2,675 per month.

Rent expense for the year ended December 31, 2022 was \$14,975.

Government grants are subject to audit by the appropriate agency.

#### 11. Retirement Plan

The Organization established a 401(K) Profit Sharing Plan that provides for a discretionary matching contribution. There were no matching contributions made in 2022 and 2021.

#### 12. In-Kind Contributions

The Organization received the following in-kind contributions, which have been reflected in the financial statements as of December 31,

	<u>2022</u>	<u>2021</u>
Auction and Raffle Donations	\$ <u>---</u>	\$ <u>16,330</u>
Total in-kind contributions	\$ <u>---</u>	\$ <u>16,330</u>

Noncash donations were used for fundraising purposes. The difference between the amount received for these items and the fair value of the noncash donation when originally contributed is recognized as an adjustment to the original contribution and are included in In-Kind contributions on the accompanying financial statements.

#### 13. Paycheck Protection Program Loan Proceeds

On April 9, 2021, the Organization received loan proceeds in the amount of \$105,782 under Second Draw provisions of the Payroll Protection Program ("PPP") as authorized by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (the "Economic Aid Act"). The Second Draw provisions of the Economic Aid Act provides for loans to qualifying entities for amounts up to 2.5 times their 2019 or 2020 average monthly payroll expenses. The terms of this loan are similar to that of the first PPP loan.

# ECPAT-USA, INC.

## Notes to Financial Statements December 31, 2022

### 13. Paycheck Protection Program Loan Proceeds (*continued*)

The Organization has elected to report the PPP loan proceeds as a conditional grant under requirements contained in Accounting Standards Update 2018-08, "Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made." Accordingly, the Organization recognizes income as the conditions in the PPP are met. For the year ended December 31, 2021, the Organization recognized \$105,782 of the PPP loan proceeds as government grant income in the statements of activities as the Organization received full forgiveness on December 8, 2021 for the second PPP loan.

The Organization qualified and applied for Federal Employee Retention Credits under both the 2020 CARES Act and Economic Aid Act totaling \$106,613. Said amount is included in grants receivable and government grants in the accompanying 2021 financial statements. The amount receivable as of December 31, 2022 for said grant was \$30,021 and is included in grants receivable in the statement of Financial position as of December 31, 2022.

### 14. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through August 4, 2023 the date which the financial statements were available to be issued.

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