

## **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2017**

**FREE THE SLAVES, INC.**

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## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Free the Slaves, Inc.  
Washington, D.C.

We have audited the accompanying financial statements of Free the Slaves, Inc. (FTS), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 FTS as of December 31, 2018, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### **Report on Summarized Comparative Information**

We have previously audited FTS's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2019 on our consideration of FTS'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 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 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 FTS's internal control over financial reporting and compliance.

*GRF CPAs & Advisors*

August 26, 2019

## FREE THE SLAVES, INC.

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

## ASSETS

|   | <u>2018</u>                | <u>2017</u>                |
|---|----------------------------|----------------------------|
| <b>CURRENT ASSETS</b>   |                            |                            |
| Cash and cash equivalents   | \$ 560,817                 | \$ 366,550                 |
| Grants and pledges receivable   | 475,778                    | 684,157                    |
| Partner advances  | 97,618                     | 28,338                     |
| Other receivables   | 11,981                     | 9,469                      |
| Inventory   | 24,630                     | 25,666                     |
| Prepaid expenses  | <u>11,377</u>              | <u>1,987</u>               |
| Total current assets  | <u>1,182,201</u>           | <u>1,116,167</u>           |
| <b>PROPERTY AND EQUIPMENT</b>   |                            |                            |
| Furniture and equipment   | 7,247                      | 9,834                      |
| Vehicles  | <u>29,500</u>              | <u>41,500</u>              |
|   | 36,747                     | 51,334                     |
| Less: Accumulated depreciation  | <u>(20,030)</u>            | <u>(21,317)</u>            |
| Net property and equipment  | <u>16,717</u>              | <u>30,017</u>              |
| <b>NONCURRENT ASSETS</b>  |                            |                            |
| Grants and pledges receivable, net of current portion<br>and present value discount | 295,829                    | 587,122                    |
| Security deposit  | <u>8,447</u>               | <u>8,447</u>               |
| Total noncurrent assets   | <u>304,276</u>             | <u>595,569</u>             |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 1,503,194</u></b> | <b><u>\$ 1,741,753</u></b> |

## LIABILITIES AND NET ASSETS

|  |                            |                            |
|--|----------------------------|----------------------------|
| <b>CURRENT LIABILITIES</b>               |                            |                            |
| Accounts payable and accrued liabilities | \$ 79,755                  | \$ 162,434                 |
| Amounts held for others                  | 2,691                      | -                          |
| Deferred rent                            | <u>18,691</u>              | <u>13,111</u>              |
| Total current liabilities                | <u>101,137</u>             | <u>175,545</u>             |
| <b>NONCURRENT LIABILITIES</b>            |                            |                            |
| Deferred rent, net of current portion    | <u>60,520</u>              | <u>79,211</u>              |
| Total liabilities                        | <u>161,657</u>             | <u>254,756</u>             |
| <b>NET ASSETS</b>                        |                            |                            |
| Without donor restrictions               | 51,275                     | 120,154                    |
| With donor restrictions                  | <u>1,290,262</u>           | <u>1,366,843</u>           |
| Total net assets                         | <u>1,341,537</u>           | <u>1,486,997</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>  | <b><u>\$ 1,503,194</u></b> | <b><u>\$ 1,741,753</u></b> |

See accompanying notes to financial statements.

## FREE THE SLAVES, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

|  | 2018                             |                            |                     | 2017                |
|--|----------------------------------|----------------------------|---------------------|---------------------|
|  | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total               | Total               |
| <b>SUPPORT AND REVENUE</b>                     |                                  |                            |                     |                     |
| Contributions and grants                       | \$ 394,192                       | \$ 884,688                 | \$ 1,278,880        | \$ 994,330          |
| Government grants                              | 1,393,652                        | -                          | 1,393,652           | 1,320,756           |
| In-kind contributions                          | 479,760                          | -                          | 479,760             | 156,908             |
| Product sales and other income                 | 42,596                           | -                          | 42,596              | 16,818              |
| Interest income                                | 2                                | -                          | 2                   | 32                  |
| Net assets released from donor<br>restrictions | 961,269                          | (961,269)                  | -                   | -                   |
| Total support and revenue                      | 3,271,471                        | (76,581)                   | 3,194,890           | 2,488,844           |
| <b>EXPENSES</b>                                |                                  |                            |                     |                     |
| Program Services:                              |                                  |                            |                     |                     |
| Grassroots Anti-Slavery Programs:              |                                  |                            |                     |                     |
| India  | 273,040                          | -                          | 273,040             | 259,750             |
| Nepal  | 53,580                           | -                          | 53,580              | 188,001             |
| Ghana  | 570,004                          | -                          | 570,004             | 549,998             |
| Democratic Republic of Congo                   | 228,043                          | -                          | 228,043             | 302,733             |
| Haiti  | 132,417                          | -                          | 132,417             | 149,535             |
| Senegal  | 196,039                          | -                          | 196,039             | 257,047             |
| Dominican Republic                             | 61,581                           | -                          | 61,581              | -                   |
| Other  | 55,923                           | -                          | 55,923              | 59,658              |
| Total grassroots anti-slavery<br>programs      | 1,570,627                        | -                          | 1,570,627           | 1,766,722           |
| Communications/Awareness Outreach              | 294,950                          | -                          | 294,950             | 305,708             |
| Research                                       | 83,927                           | -                          | 83,927              | 136,430             |
| Policy and Advocacy                            | 406,469                          | -                          | 406,469             | 148,843             |
| Community Liberation Initiative                | 228,445                          | -                          | 228,445             | -                   |
| Total program services                         | 2,584,418                        | -                          | 2,584,418           | 2,357,703           |
| Supporting Services:                           |                                  |                            |                     |                     |
| Fundraising                                    | 281,259                          | -                          | 281,259             | 316,655             |
| Management and General                         | 474,673                          | -                          | 474,673             | 569,543             |
| Total supporting services                      | 755,932                          | -                          | 755,932             | 886,198             |
| Total expenses                                 | 3,340,350                        | -                          | 3,340,350           | 3,243,901           |
| Change in net assets                           | (68,879)                         | (76,581)                   | (145,460)           | (755,057)           |
| Net assets at beginning of year                | 120,154                          | 1,366,843                  | 1,486,997           | 2,242,054           |
| <b>NET ASSETS AT END OF YEAR</b>               | <b>\$ 51,275</b>                 | <b>\$ 1,290,262</b>        | <b>\$ 1,341,537</b> | <b>\$ 1,486,997</b> |

See accompanying notes to financial statements.

## FREE THE SLAVES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

|   | 2018                             |                  |                   |                                    |                   |                   |                       |                  |  |
|---|----------------------------------|------------------|-------------------|------------------------------------|-------------------|-------------------|-----------------------|------------------|--|
|   | Program Services                 |                  |                   |                                    |                   |                   |                       |                  |  |
|   | Grassroots Anti-Slavery Programs |                  |                   |                                    |                   |                   |                       |                  |  |
|   | India                            | Nepal            | Ghana             | Democratic<br>Republic of<br>Congo | Haiti             | Senegal           | Dominican<br>Republic | Other            | Total Grassroots<br>Anti-Slavery<br>Programs |
| Personnel                               | \$ 54,420                        | \$ 14,536        | \$ 198,038        | \$ 113,603                         | \$ 37,188         | \$ 59,986         | \$ 23,832             | \$ 42,383        | \$ 543,986                                   |
| Grants to partners                      | 102,744                          | 5,000            | 265,564           | 72,958                             | 11,930            | 63,229            | -                     | -                | 521,425                                      |
| Professional services                   | 80,528                           | 17,623           | 6,723             | 5,439                              | 59,236            | 43,615            | 25,793                | 7,062            | 246,019                                      |
| Travel expenses                         | 24,679                           | 237              | 31,954            | 11,717                             | 12,777            | 13,345            | 4,315                 | 2,413            | 101,437                                      |
| Occupancy                               | 5,655                            | 1,033            | 28,771            | 13,495                             | 9,617             | 10,912            | 4,162                 | 2,798            | 76,443                                       |
| Depreciation                            | -                                | -                | 5,900             | 2,400                              | -                 | -                 | -                     | -                | 8,300  |
| Technology and communication            | 1,163                            | 15               | 10,450            | 1,220                              | 1,141             | 579               | 1,315                 | 1,267            | 17,150                                       |
| Postage, printing and<br>supplies       | 352                              | 12               | 4,275             | 579                                | -                 | 970               | 249                   | -                | 6,437  |
| Meetings and events                     | (1,428)                          | 252              | 1,272             | 1,524                              | -                 | 1,716             | 1,135                 | -                | 4,471  |
| Bank and merchant fees                  | 2,201                            | 50               | 2,889             | 2,732                              | 262               | 510               | 285                   | -                | 8,929  |
| Insurance                               | 125                              | -                | 1,240             | 85                                 | 126               | 135               | 96                    | -                | 1,807  |
| Training and staff<br>development       | 794                              | -                | 1,669             | 490                                | -                 | 419               | 399                   | -                | 3,771  |
| Service fees                            | -                                | -                | -                 | 40                                 | -                 | -                 | -                     | -                | 40   |
| Subscriptions, publications<br>and dues | -                                | -                | 13                | -                                  | -                 | -                 | -                     | -                | 13   |
| Other expenses                          | 1,807                            | 14,822           | 11,246            | 1,761                              | 140               | 623               | -                     | -                | 30,399                                       |
| Subtotal                                | 273,040                          | 53,580           | 570,004           | 228,043                            | 132,417           | 196,039           | 61,581                | 55,923           | 1,570,627                                    |
| Allocation of management<br>and general | 40,019                           | 9,775            | 72,394            | 41,602                             | 24,157            | 29,030            | 11,234                | 10,202           | 238,413                                      |
| <b>TOTAL</b>                            | <b>\$ 313,059</b>                | <b>\$ 63,355</b> | <b>\$ 642,398</b> | <b>\$ 269,645</b>                  | <b>\$ 156,574</b> | <b>\$ 225,069</b> | <b>\$ 72,815</b>      | <b>\$ 66,125</b> | <b>\$ 1,809,040</b>                          |

See accompanying notes to financial statements.

FREE THE SLAVES, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

|   | 2018 (Continued)                         |                  |                        |                                       |                              |                   |                           |                                 | 2017               |                     |
|---|--|------------------|------------------------|---------------------------------------|------------------------------|-------------------|---------------------------|---------------------------------|--------------------|---------------------|
|   | Program Services (Continued)             |                  |                        |                                       | Supporting Services          |                   |                           |                                 | Total Expenses     | Total Expenses      |
|   | Communications/<br>Awareness<br>Outreach | Research         | Policy and<br>Advocacy | Community<br>Liberation<br>Initiative | Total<br>Program<br>Services | Fundraising       | Management<br>and General | Total<br>Supporting<br>Services |                    |                     |
| Personnel   | \$ 110,819                               | \$ 9,369         | \$ 64,399              | \$ 54,004                             | \$ 782,577                   | \$ 125,707        | \$ 191,177                | \$ 316,884                      | \$1,099,461        | \$ 1,431,735        |
| Grants to partners  | -  | -                | -                      | -                                     | 521,425                      | -                 | -                         | -                               | 521,425            | 508,765             |
| Professional services   | 49,508                                   | 65,245           | 216,374                | 106,041                               | 683,187                      | 95,747            | 140,188                   | 235,935                         | 919,122            | 558,969             |
| Travel expenses   | 756                                      | 1,241            | 57,101                 | 24,534                                | 185,069                      | 11,014            | 5,036                     | 16,050                          | 201,119            | 141,324             |
| Occupancy   | 17,688                                   | 1,854            | 13,487                 | 8,127                                 | 117,599                      | 25,751            | 52,432                    | 78,183                          | 195,782            | 186,164             |
| Depreciation  | -  | -                | -                      | -                                     | 8,300                        | -                 | -                         | -                               | 8,300              | 8,300               |
| Technology and communication<br>Postage, printing and<br>supplies | 6,889                                    | 5,410            | 525                    | 3,500                                 | 33,474                       | 5,354             | 32,966                    | 38,320                          | 71,794             | 65,876              |
| Meetings and events   | 2,862                                    | 235              | 1,097                  | 3,286                                 | 13,917                       | 2,248             | 11,143                    | 13,391                          | 27,308             | 59,463              |
| Bank and merchant fees  | -  | -                | 22,333                 | 21,570                                | 48,374                       | 3,939             | 3,215                     | 7,154                           | 55,528             | 41,646              |
| Insurance   | -  | -                | 356                    | 75                                    | 9,360                        | 25                | 12,239                    | 12,264                          | 21,624             | 17,775              |
| Training and staff<br>development                                 | -  | 573              | -                      | 322                                   | 2,702                        | 328               | 17,585                    | 17,913                          | 20,615             | 20,991              |
| Service fees  | -  | -                | -                      | 399                                   | 4,170                        | 335               | 90                        | 425                             | 4,595              | 5,651               |
| Subscriptions, publications<br>and dues                           | -  | -                | -                      | 53                                    | 93                           | -                 | 5,186                     | 5,186                           | 5,279              | 8,861               |
| Other expenses  | 3,457                                    | -                | 400                    | -                                     | 3,870                        | 3,557             | 1,320                     | 4,877                           | 8,747              | 7,285               |
|   | 102,971                                  | -                | 30,397                 | 6,534                                 | 170,301                      | 7,254             | 2,096                     | 9,350                           | 179,651            | 181,096             |
| Subtotal  | 294,950                                  | 83,927           | 406,469                | 228,445                               | 2,584,418                    | 281,259           | 474,673                   | 755,932                         | 3,340,350          | 3,243,901           |
| Allocation of management<br>and general                           | 53,808                                   | 15,311           | 74,153                 | 41,676                                | 423,361                      | 51,312            | (474,673)                 | (423,361)                       | -                  | -                   |
| <b>TOTAL</b>  | <b>\$ 348,758</b>                        | <b>\$ 99,238</b> | <b>\$ 480,622</b>      | <b>\$ 270,121</b>                     | <b>\$ 3,007,779</b>          | <b>\$ 332,571</b> | <b>\$ -</b>               | <b>\$ 332,571</b>               | <b>\$3,340,350</b> | <b>\$ 3,243,901</b> |

See accompanying notes to financial statements.



## FREE THE SLAVES, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

|  | <u>2018</u>              | <u>2017</u>              |
|--|--------------------------|--------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                          |                          |
| Change in net assets   | \$ (145,460)             | \$ (755,057)             |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: |                          |                          |
| Depreciation   | 8,300                    | 8,300                    |
| Loss on disposal of fixed assets   | 1,000                    | -                        |
| Decrease (increase) in:  |                          |                          |
| Grants and pledges receivable  | 499,672                  | 369,838                  |
| Partner advances   | (69,280)                 | 48,647                   |
| Other receivables  | (2,512)                  | 23,447                   |
| Inventory  | 1,036                    | 3,471                    |
| Prepaid expenses   | (9,390)                  | 13,482                   |
| (Decrease) increase in:  |                          |                          |
| Accounts payable and accrued liabilities   | (82,679)                 | 108,958                  |
| Amounts held for others  | 2,691                    | -                        |
| Deferred rent  | <u>(13,111)</u>          | <u>(7,692)</u>           |
| Net cash provided (used) by operating activities   | <u>190,267</u>           | <u>(186,606)</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                          |                          |
| Proceeds from sale of fixed assets   | <u>4,000</u>             | <u>-</u>                 |
| Net cash provided by investing activities  | <u>4,000</u>             | <u>-</u>                 |
| Net increase (decrease) in cash and cash equivalents   | 194,267                  | (186,606)                |
| Cash and cash equivalents at beginning of year   | <u>366,550</u>           | <u>553,156</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b><u>\$ 560,817</u></b> | <b><u>\$ 366,550</u></b> |

# FREE THE SLAVES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

#### Organization -

Free the Slaves, Inc. (FTS) is a non-profit, non-partisan organization, incorporated in the District of Columbia. FTS' mission is to end slavery worldwide.

#### Programs -

*Grassroots Anti-Slavery Programs* - FTS and its partner organizations use a community-based model to help communities resist forced and bonded labor and sex trafficking of adults and children in India, Nepal, Haiti, Senegal, Ghana and the Democratic Republic of the Congo. FTS provides the structure and training for collective action by slaves and former slaves to demand freedom, payment of wages, and protection from violence. FTS organizes leaders to educate their communities about slavery, to take action to rescue their family members and neighbors who are in slavery, and to work to develop new systems that address key vulnerabilities within the community. These vulnerabilities may include ensuring the availability of education for children, savings and loan projects for communities, or access to affordable health care and legal representation. FTS engages local, regional and national officials to press for enforcement and strengthening of anti-slavery laws. We support lawyers who press for justice for victims. FTS supports operation of shelters for survivors of trafficking and modern slavery. FTS educates and prepares people who are migrating abroad for work on ways to avoid the tricks of traffickers, and we educate children to prevent their enslavement later in life.

*Anti-Slavery Policy and Advocacy* - FTS works to convince governments, international development organizations and businesses to implement key changes required for the global eradication of slavery. In partnership with coalitions and other organizations, FTS works to encourage policymakers domestically and abroad to implement anti-slavery policies and to actively work toward dismantling systems of slavery.

*Monitoring, Learning and Evaluation (MLE)* - FTS rigorously assesses the impact, effectiveness, relevance, efficacy and sustainability of our community-based approach to ending slavery. Using well-defined indicators, FTS tracks accomplishments of their grassroots partners in work planning, quarterly reporting, training and capacity building to improve accountability and learning. MLE contributes to the development of strong proposals and accurate reporting to funders, and supports continual learning and increased knowledge for the organization and the anti-slavery movement.

*Communications/Awareness Outreach* - FTS increases awareness of slavery and methods to eradicate it, and fosters public engagement in policy advocacy, through mass media, online outreach, video production, speaking engagements, conferences, public events, college chapters and faith community outreach. FTS trains front-line partner organizations and others to strengthen communications and media relations skills to improve outreach to slavery victims, vulnerable populations and religious, traditional and civic leaders.

*Conferences* - FTS serves as the secretariat for the annual Freedom from Slavery Forum. This gathering of anti-slavery leaders from around the world is designed to create a collegial space where leaders can coalesce, create partnerships, discuss promising practices and develop a shared agenda for action.

#### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*.

**FREE THE SLAVES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Basis of presentation (continued) -

The ASU was adopted during the year ended December 31, 2018 and applied retrospectively.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with FTS' financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and cash equivalents -

FTS considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, FTS maintains a portion of its cash balances at financial institutions in excess of the FDIC limits. Management believes the risk in these situations to be minimal.

As of December 31, 2018, FTS had \$9,692 of cash and cash equivalents held at financial institutions in foreign countries. The majority of funds held in foreign countries are uninsured.

Foreign currency translation -

The United States dollar ("Dollars") is the functional currency for FTS operations. Transactions in currencies other than U.S. Dollars are translated into Dollars at the historical rate of exchange during the month of the transaction. All assets and liabilities denominated in non-U.S. currency are translated into Dollars based on the historical rate of exchange.

Grants and pledges receivable -

Grants and pledges receivable are recorded at their net realizable value, which approximates fair value and any non-current portion of grants and pledges receivable are measured as the present value of their future cash flows, discounted using risk-adjusted interest rates applicable to the years in which the promises are received.

Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment purchases in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of repairs and maintenance is recorded as expenses as incurred.

Income taxes -

FTS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Income taxes (continued) -

Accordingly, no provision for income taxes has been made in the accompanying financial statements. FTS is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2018, FTS has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Inventory -

During the year ended December 31, 2018, FTS adopted FASB ASU 2015-11 *Simplifying the Measurement of Inventory*, and as such, inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory. The ASU is applied prospectively.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases 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 and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Revenue recognition -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Grant funding received in advance of incurring the related expenses is recorded as "net assets with donor restrictions".

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

Revenue recognition (continued) -

FTS receives awards under grants and contracts from the U.S. and foreign governments, international organizations and other sources for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such awards are recorded as revenue "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Grant funding received under grants and contracts from the U.S. and foreign governments, international organizations and other sources for direct and indirect program costs in advance of incurring the related expenses is recorded as refundable advances.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

In-kind contributions -

In-kind contributions consist of professional services provided to FTS, and are recorded at their fair value as of the date the service was received. During the year ended December 31, 2018, the value of such in-kind contributions, which are included in revenue and expense, totaled \$479,760. The following programs have benefited from these donated services:

|                                   |                   |
|-----------------------------------|-------------------|
| Communications/Awareness Outreach | \$ 124,687        |
| Research                          | 44,300            |
| Policy and Advocacy               | 227,984           |
| Fundraising                       | 21,900            |
| Management and General            | <u>60,889</u>     |
|                                   | <u>\$ 479,760</u> |

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of FTS are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
(Continued)

Reclassification (continued) -

Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$120,154 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets in the amount of \$1,366,843 are now classified as "net assets with donor restrictions".

Going concern -

During the year ended December 31, 2018, FTS applied FASB ASU 2014-15, *Presentation of Financial Statements - Going Concern* and evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an ability to continue as a going concern within one year after the date the financial statements are issued. See Note 7 for the analysis of the principal conditions, managements evaluation and future plans.

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted. FTS has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. FTS has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in then Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

FTS plans to adopt the new ASUs at the respective required implementation dates.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

2. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

|   |                            |
|---|----------------------------|
| Subject to expenditure for specified purpose:   |                            |
| India   | \$ 24,942                  |
| Nepal   | 100,676                    |
| Haiti   | 96,291                     |
| Policy and Advocacy                             | 19,035                     |
| Research  | 12,226                     |
| Conferences                                     | 36,532                     |
| Development                                     | 230                        |
| General program                                 | <u>1,000,330</u>           |
| <b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b> | <b>\$ <u>1,290,262</u></b> |

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

|  |                          |
|--|--------------------------|
| Purpose restrictions accomplished:                       |                          |
| India  | \$ 9,899                 |
| Nepal  | 49,324                   |
| Haiti  | 154,191                  |
| Development  | 770                      |
| Conferences  | 174,622                  |
| Policy and Advocacy                                      | 30,965                   |
| General program  | 516,498                  |
| Timing restrictions accomplished                         | <u>25,000</u>            |
| <b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b> | <b>\$ <u>961,269</u></b> |

3. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following December 31, 2018:

|   |                          |
|---|--------------------------|
| Cash and cash equivalents   | \$ 560,817               |
| Grants and pledges receivable   | 771,607                  |
| Partner advances  | 97,618                   |
| Other receivables   | <u>11,981</u>            |
| Subtotal financial assets available within one year   | 1,442,023                |
| Less: Donor restricted funds  | <u>(1,290,262)</u>       |
| <b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b> | <b>\$ <u>151,761</u></b> |

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

3. LIQUIDITY AND AVAILABILITY (Continued)

FTS is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, FTS must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of FTS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2018, FTS has financial assets equal to less than a month of operating expenses.

4. LEASE COMMITMENT

FTS leases office space under a 91-month agreement, which is set to expire on March 31, 2022. The lease agreement provides for a five-month rental holiday and an abatement of 50% of the minimum rent for the subsequent four months. Beginning February 1, 2015, base rent shall be \$14,046 per month, plus a proportionate share of expenses, increasing by a factor of 3% annually.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the accompanying Statement of Financial Position. As of December 31, 2018, the total deferred rent liability aggregated \$79,211.

Following is a schedule of the future minimum lease payments:

**Year Ending December 31,**

|      |                          |
|------|--------------------------|
| 2019 | \$ 191,597               |
| 2020 | 197,345                  |
| 2021 | 203,259                  |
| 2022 | <u>34,545</u>            |
|      | <b><u>\$ 626,746</u></b> |

Occupancy expense for the year ended December 31, 2018 totaled \$195,782.

FTS subleases a portion of its office space under various leases expiring in 2020. The following is a schedule of the future minimum rental income:

**Year Ended December 31, 2019**

|      |                         |
|------|-------------------------|
| 2019 | \$ 30,900               |
| 2020 | <u>11,862</u>           |
|      | <b><u>\$ 42,762</u></b> |

Rental income for the year ended December 31, 2018 was \$25,281 and is included in other income on the Statement of Activities and Change in Net Assets.

5. RETIREMENT PLAN

FTS adopted an IRS 403(b) plan (the Plan) covering all eligible employees. Under the provisions of the Plan, an eligible employee may defer up to the IRS limit applicable to each calendar year.



## FREE THE SLAVES, INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

#### 5. RETIREMENT PLAN (Continued)

At its discretion, FTS may make matching contributions or elective contributions. Participants are 100% vested in all contributions to the Plan. FTS did not make any contributions to the Plan during the year ended December 31, 2018.

#### 6. CONTINGENCY

FTS receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2018. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

#### 7. GOING CONCERN

FTS has suffered recurring significant losses that raises doubt about its ability to continue as a going concern. The ability of FTS to continue is dependent on the success of FTS's Board and management in raising funding without donor restrictions during the coming fiscal year and subsequent years to ensure that expenditures do not continue to exceed available funds. The financial statements have been prepared assuming that FTS will continue as a going concern. However, FTS has received significant grant awards that mitigate this concern although there needs to be additional success in securing unrestricted grants to fully address the growing net losses realized through the current period. Further, management's position and plans include:

- FTS has secured 92.5% of its 2019 revised budget (\$2.528m of \$2.732m) as of the date of the audit report; some of that income is reflected in grants as presented below.
- FTS has a five-year commitment with a major donor for \$1.5m (\$300,000/year for the years 2017–2021) to support programmatic work.
- FTS has recently secured a four-year commitment with another major donor for \$120,000 (\$30,000/year for 2019 – 2022) in unrestricted funding.
- The State Department (JTIP) is granting FTS a \$925,000 addition to its existing grant in Ghana, effective Q4 2019 through Q1 2021.
- There are \$125,000 of institutional grant proposals currently pending for projects, some of which would start in 2019; also, there is an amount of \$1,295,000 in potential institutional/grant funding for 2020 which FTS is working on confirming.
- FTS has focused increased efforts on securing corporate support and financing, including pursuing a multi-year 750,000 euro grant to support work in India. Smaller corporate grants are also being pursued.
- FTS has reduced operating costs through staff cuts, renegotiating service contracts, subletting office space, and other economizing measures.
- Management continues to pursue and evaluate additional revenue opportunities as well as monitor closely all expenditures.

**FREE THE SLAVES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**7. GOING CONCERN (Continued)**

Accordingly, the financial statements have been prepared assuming that FTS will continue as a going concern.

**8. CONCENTRATION OF RISK**

As discussed in Note 7, management has evaluated the significance of the conditions in relation to its ability to meet its obligations and has developed plans that intend to alleviate the conditions that raised substantial doubt about FTS's ability to continue as a going concern. Considering the level of grant commitments described in the preceding footnote, management does not expect continued net deficits or negative cash flows over the next twelve month period. However, should those conditions occur, the consequences would be that FTS will need to to wind-down its operations and settle all unspent obligations with its major donors.

**9. SUBSEQUENT EVENTS**

In preparing these financial statements, FTS has evaluated events and transactions for potential recognition or disclosure through August 26, 2019, the date the financial statements were issued.