



FREE THE SLAVES, INC.

**FINANCIAL STATEMENTS, SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS AND
INDEPENDENT AUDITORS' REPORTS**

For the Years Ended December 31, 2020 and 2019

**FREE THE SLAVES, INC.
Financial Statements**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Free the Slaves, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 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 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 Free the Slaves, Inc. as of December 31, 2020 and 2019, 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.

**Free the Slaves, Inc.
Independent Auditors' report
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Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2021 on our consideration of Free the Slaves, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Free the Slaves, Inc.'s internal control over financial reporting and compliance.

DeLeon & Stang

**DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
September 22, 2021**

FREE THE SLAVES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 1,122,215	\$ 723,007
Grants and pledges receivable, net of present value discount	145,213	435,988
Partner advances	27,777	83,868
Other receivables	46,243	28,843
Inventory	22,448	23,716
Prepaid expenses	10,782	7,047
Total Current Assets	1,374,678	1,302,469
<u>Property and Equipment:</u>		
Furniture and equipment	7,247	7,247
Vehicles	29,500	29,500
	36,747	36,747
Less: Accumulated depreciation	(31,831)	(25,930)
Net property and equipment	4,916	10,817
<u>Non-current Assets:</u>		
Grants and pledges receivable, net of current portion and present value discount	30,000	58,046
Security deposit	8,447	8,447
Total Non-current Assets	38,447	66,493
TOTAL ASSETS	\$ 1,418,041	\$ 1,379,779
LIABILITIES AND NET ASSETS		
<u>Current Liabilities:</u>		
Accounts payable and accrued liabilities	\$ 66,139	\$ 96,200
Refundable advances	30,481	39,840
Paycheck Protection Program (PPP) loan	123,000	-
Deferred rent	14,108	24,438
Total Current Liabilities	233,728	160,478
<u>Non-Current Liabilities:</u>		
Deferred rent, net of current portion	7,214	36,082
Total Liabilities	240,942	196,560
<u>Net Assets:</u>		
Net assets without donor restrictions	458,102	112,933
With donor restrictions	718,997	1,070,286
Total Net Assets	1,177,099	1,183,219
TOTAL LIABILITIES AND NET ASSETS	\$ 1,418,041	\$ 1,379,779

FREE THE SLAVES, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions and grants	\$ 828,851	\$ 128,976	\$ 957,827	\$ 675,829	\$ 519,943	\$ 1,195,772
Government grants	861,760	-	861,760	1,112,706	-	1,112,706
In-kind contributions	216,127	-	216,127	356,292	-	356,292
Product sales and other income	71,185	3,875	75,060	75,037	-	75,037
Interest income	2	-	2	2	-	2
Net assets released from donor restrictions	484,140	(484,140)	-	739,919	(739,919)	-
Total revenue and support	<u>2,462,065</u>	<u>(351,289)</u>	<u>2,110,776</u>	<u>2,959,785</u>	<u>(219,976)</u>	<u>2,739,809</u>
Expenses:						
Program services:						
Grassroots Anti-Slavery Program:						
India	144,790	-	144,790	354,827	-	354,827
Nepal	27,685	-	27,685	100,808	-	100,808
Ghana	732,456	-	732,456	715,550	-	715,550
Democratic Republic of Congo	-	-	-	8,821	-	8,821
Haiti	121,439	-	121,439	134,444	-	134,444
Senegal	338	-	338	112,690	-	112,690
Dominican Republic	90,962	-	90,962	115,068	-	115,068
Other	320,319	-	320,319	259,363	-	259,363
Total Grassroots anti-slavery programs	<u>1,437,989</u>	<u>-</u>	<u>1,437,989</u>	<u>1,801,571</u>	<u>-</u>	<u>1,801,571</u>
Communications/Awareness Outreach	226,532	-	226,532	227,217	-	227,217
Monitoring, Learning and Evaluation	23,048	-	23,048	63,551	-	63,551
Policy and Advocacy	50,887	-	50,887	193,940	-	193,940
Conferences	35,288	-	35,288	-	-	-
Total Program services	<u>1,773,744</u>	<u>-</u>	<u>1,773,744</u>	<u>2,286,279</u>	<u>-</u>	<u>2,286,279</u>
Supporting services:						
Fundraising	127,192	-	127,192	230,039	-	230,039
Management and General	215,960	-	215,960	381,809	-	381,809
Total supporting services	<u>343,152</u>	<u>-</u>	<u>343,152</u>	<u>611,848</u>	<u>-</u>	<u>611,848</u>
Total expenses	<u>2,116,896</u>	<u>-</u>	<u>2,116,896</u>	<u>2,898,127</u>	<u>-</u>	<u>2,898,127</u>
Change in net assets	345,169	(351,289)	(6,120)	61,658	(219,976)	(158,318)
Net assets, beginning of year	<u>112,933</u>	<u>1,070,286</u>	<u>1,183,219</u>	<u>51,275</u>	<u>1,290,262</u>	<u>1,341,537</u>
Net assets, end of year	<u>\$ 458,102</u>	<u>\$ 718,997</u>	<u>\$1,177,099</u>	<u>\$ 112,933</u>	<u>\$1,070,286</u>	<u>\$ 1,183,219</u>

FREE THE SLAVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

2020								
Program Services								
Grassroots Anti-Slavery Program								
								Total Grassroots
	India	Nepal	Ghana	Haiti	Senegal	Dominican Republic	Other	Anti-Slavery Programs
Personnel	\$ 7,132	\$ 516	\$ 164,698	\$ 5,167	\$ -	\$ 10,492	\$ 144,427	\$ 332,432
Grants to partners	50,462	9,007	342,586	-	-	-	2,500	404,555
Professional services	46,993	6,758	8,466	87,896	-	50,844	80,100	281,057
Travel expenses	1,938	4,819	28,168	1,261	-	137	209	36,532
Occupancy	1,377	101	20,713	2,287	-	1,882	22,571	48,931
Depreciation	-	-	5,900	-	-	-	-	5,900
Technology and communication	6,616	16	20,456	2,959	-	3,055	5,036	38,138
Postage, printing and supplies	144	334	8,597	1,164	-	2,658	123	13,020
Meetings and events	-	201	22,719	-	-	691	-	23,611
Bank and merchant fees	1,500	50	2,194	25	-	330	439	4,538
Insurance	-	-	2,162	-	-	-	-	2,162
Training and staff development	-	-	-	-	-	-	586	586
Service fees	-	-	-	-	-	-	-	-
Subscriptions, publications and dues	-	-	670	-	-	-	2,315	2,985
Other expenses	13	412	3,795	280	271	2,897	4	7,672
Subtotal	116,175	22,214	631,124	101,039	271	72,986	258,310	1,202,119
Allocation of management and general	28,615	5,471	101,332	20,400	67	17,976	62,009	235,870
TOTAL	\$ 144,790	\$ 27,685	\$ 732,456	\$ 121,439	\$ 338	\$ 90,962	\$ 320,319	\$ 1,437,989

See Accompanying Notes to Financial Statements
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FREE THE SLAVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

2020 (Continued)

	Program Services (Continued)					Supporting Services			
	Communications/ Awareness Outreach	Monitoring, Learning & Evaluation	Policy and Advocacy	Conferences	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
	Personnel	\$ 30,999	\$ 14,736	\$ 7,410	\$ 20,035	\$ 405,612	\$ 55,109	\$ 273,129	\$ 328,238
Grants to partners	-	-	-	-	404,555	-	-	-	404,555
Professional services	21,722	-	32,868	5,888	341,535	27,360	150,968	178,328	519,863
Travel expenses	1,412	37	377	-	38,358	2,373	2,845	5,218	43,576
Occupancy	8,234	2,761	692	1,836	62,454	5,873	56,902	62,775	125,229
Depreciation	-	-	-	-	5,900	-	-	-	5,900
Technology and communication	1,393	246	120	480	40,377	3,694	16,694	20,388	60,765
Postage, printing and supplies	10	713	-	-	13,743	13	743	756	14,499
Meetings and events	-	-	-	-	23,611	251	220	471	24,082
Bank and merchant fees	-	-	-	25	4,563	-	10,351	10,351	14,914
Insurance	-	-	-	-	2,162	129	13,801	13,930	16,092
Training and staff development	-	-	-	-	586	-	95	95	681
Service fees	-	-	-	-	-	-	3,754	3,754	3,754
Subscriptions, publications and dues	1,860	-	-	-	4,845	3,535	2,939	6,474	11,319
Other expenses	116,134	-	-	50	123,856	3,719	10,242	13,961	137,817
Subtotal	181,764	18,493	41,467	28,314	1,472,157	102,056	542,683	644,739	2,116,896
Allocation of management and general	44,768	4,555	9,420	6,974	301,587	25,136	(326,723)	(301,587)	-
TOTAL	\$ 226,532	\$ 23,048	\$ 50,887	\$ 35,288	\$ 1,773,744	\$ 127,192	\$ 215,960	\$ 343,152	\$ 2,116,896

See Accompanying Notes to Financial Statements
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FREE THE SLAVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

2019

Program Services

Grassroots Anti-Slavery Program

	Democratic							Total Grassroot	
	India	Nepal	Ghana	Republic of Congo	Haiti	Senegal	Dominican Republic	Other	Anti-Slavery Programs
Personnel	\$ 18,367	\$ 2,036	\$ 161,574	\$ 7,220	\$ 16,435	\$ 21,181	\$ 23,392	\$ 40,957	\$ 291,162
Grants to partners	166,256	31,045	259,209	-	13,810	25,227	-	-	495,547
Professional services	94,896	32,036	95,446	-	67,872	32,882	52,226	150,577	525,935
Travel expenses	12,370	15,765	33,728	-	2,344	4,274	4,365	(7,025)	65,821
Occupancy	4,503	441	23,947	-	7,971	4,019	7,751	19,314	67,946
Depreciation	-	-	5,900	-	-	-	-	-	5,900
Technology and communication	2,650	1,637	11,935	-	2,824	1,978	3,308	1,636	25,968
Postage, printing and supplies	536	133	9,877	-	-	19	1,878	1,508	13,951
Meetings and events	1,804	329	1,812	-	-	5,317	1,980	7,838	19,080
Bank and merchant fees	2,303	361	6,666	111	138	318	335	-	10,232
Insurance	308	-	845	-	-	-	-	-	1,153
Training and staff development	500	-	1,685	-	345	125	400	639	3,694
Service fees	-	-	-	-	-	-	-	-	-
Subscriptions, publications and dues	2	-	53	-	-	-	-	-	55
Other expenses	643	-	6,685	-	-	548	-	117	7,993
Subtotal	305,138	83,783	619,362	7,331	111,739	95,888	95,635	215,561	1,534,437
Allocation of management and general	49,689	17,025	96,188	1,490	22,705	16,802	19,433	43,802	267,134
TOTAL	<u>\$ 354,827</u>	<u>\$ 100,808</u>	<u>\$ 715,550</u>	<u>\$ 8,821</u>	<u>\$ 134,444</u>	<u>\$ 112,690</u>	<u>\$ 115,068</u>	<u>\$ 259,363</u>	<u>\$ 1,801,571</u>

See Accompanying Notes to Financial Statements
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FREE THE SLAVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	2019 (Continued)							
	Program Services (Continued)				Supporting Services			
	Communications/ Awareness Outreach	Monitoring, Learning & Evaluation	Policy and Advocacy	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Personnel	\$ 59,426	\$ 29,373	\$ 39,274	\$ 419,235	\$ 125,189	\$ 233,379	\$ 358,568	\$ 777,803
Grants to partners	-	-	-	495,547	-	-	-	495,547
Professional services	10,188	10,149	38,327	584,599	14,437	380,193	394,630	979,229
Travel expenses	1,687	-	50,322	117,830	1,299	16,451	17,750	135,580
Occupancy	14,009	11,067	8,443	101,465	34,143	60,640	94,783	196,248
Depreciation	-	-	-	5,900	-	-	-	5,900
Technology and communication	2,733	2,213	2,046	32,960	1,667	29,086	30,753	63,713
Postage, printing and supplies	286	16	713	14,966	1,523	6,547	8,070	23,036
Meetings and events	44	-	7,983	27,107	5,706	1,454	7,160	34,267
Bank and merchant fees	20	-	152	10,404	-	10,146	10,146	20,550
Insurance	-	-	40	1,193	-	15,950	15,950	17,143
Training and staff development	-	-	-	3,694	-	-	-	3,694
Service fees	-	-	-	-	-	5,760	5,760	5,760
Subscriptions, publications and dues	3,006	-	-	3,061	3,517	655	4,172	7,233
Other expenses	97,445	-	14,342	119,780	3,810	8,834	12,644	132,424
Subtotal	188,844	52,818	161,642	1,937,741	191,291	769,095	960,386	2,898,127
				-				
Allocation of management and general	38,373	10,733	32,298	348,538	38,748	(387,286)	(348,538)	-
				-				
TOTAL	\$ 227,217	\$ 63,551	\$ 193,940	\$ 2,286,279	\$ 230,039	\$ 381,809	\$ 611,848	\$ 2,898,127

FREE THE SLAVES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	2020	2019
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (6,120)	\$ (158,318)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,900	5,900
Change in operating assets and liabilities:		
Grants and pledges receivable	318,821	277,573
Partner advances	56,091	13,750
Other receivables	(17,400)	(16,862)
Inventory	1,268	914
Prepaid expenses	(3,735)	4,330
Accounts payable and accrued liabilities	(30,060)	16,445
Amounts held for others	-	(2,691)
Refundable advances	(9,359)	39,840
Deferred rent	(39,198)	(18,691)
Net cash provided by operating activities	276,208	162,190
<u>Cash Flows From Financing Activities:</u>		
Proceeds from Paycheck Protection Program (PPP) loan	123,000	-
Net cash provided by financing activities	123,000	-
Net increase in cash and cash equivalents	399,208	162,190
Cash and cash equivalents, beginning of year	723,007	560,817
Cash and cash equivalents, end of year	\$ 1,122,215	\$ 723,007

FREE THE SLAVES, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 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.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2020 and 2019

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

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*.

New pronouncement –

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (ASC 606 and all related amendments). ASC 606 supersedes the most existing revenue recognition guidance. ASC 606 provides a principles based framework for recognizing revenue based on established performance obligations and applies to exchange transactions with customers that are bound by contracts or similar arrangements. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization has adopted ASU 2014-09 and all related amendments for the year ended December 31, 2020 using the modified retrospective method applied to all contracts not completed as of January 1, 2020. Results for reporting periods beginning after January 1, 2020 are presented under ASC 606, while prior period amounts continue to be reported in accordance with legacy GAAP. As a result of adoption, there was no effect on net assets or previously issued financial statements.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2020 and 2019

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

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.

FTS maintains its cash balances at three financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2020 and 2019, FTS has uninsured balances of \$791,186 and \$369,486, respectively at one of its financial institutions. FTS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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 are incurred.

Income taxes -

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

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

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2020 and 2019

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

Uncertain tax positions -

For the years ended December 31, 2020 and 2019, 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 -

Inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory.

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 Statements of Activities 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 recognized as revenue when they are received or unconditionally pledged. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Grants received from the federal government are recognized as revenue only to the extent of expenditures incurred.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2020 and 2019

NOTE 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 in the accompanying statements. During the years ended December 31, 2020 and 2019, the value of such in-kind contributions, which are included in revenue and expense, totaled \$216,127 and \$356,292, respectively. The following programs have benefited from these donated services:

	<u>2020</u>	<u>2019</u>
Communications/Awareness Outreach	\$ 126,267	\$ 96,006
Programs Other	-	78,611
Management and General	<u>89,860</u>	<u>181,675</u>
	<u>\$ 216,127</u>	<u>\$ 356,292</u>

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2020 and 2019

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

Functional allocation of expenses –

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. 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.

NOTE 2 PLEDGES RECEIVABLE

Included in grants and pledges receivable on the Statements of Net Position as of December 31, 2020 and 2019, are unconditional promises to give as follows:

	<u>2020</u>	<u>2019</u>
Unconditional promises to give	\$ 80,800	\$ 390,000
Less: Unamortized discount	<u>(6,240)</u>	<u>(6,125)</u>
Net unconditional promises to give	<u>\$ 74,560</u>	<u>\$ 383,875</u>
Receivable in less than one year	\$ 44,560	\$ 325,829
Receivable in one to five years	<u>30,000</u>	<u>58,046</u>
	<u>\$ 74,560</u>	<u>\$ 383,875</u>

NOTE 3 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2020:

	January 1, 2020	Additions	Releases	December 31, 2020
Program restrictions:				
India	\$ 2,280	\$ -	\$ -	\$ 2,280
Nepal	25,265	-	(25,265)	-
Haiti	54,233	56,999	(85,481)	25,751
Policy and advocacy	10,681	75,242	(46,739)	39,184
Research	12,226	-	(9,132)	3,094
Conferences	68,270			68,270
Development	230			230
General program	<u>897,101</u>	<u>610</u>	<u>(317,523)</u>	<u>580,188</u>
	<u>\$ 1,070,286</u>	<u>\$ 132,851</u>	<u>\$ (484,140)</u>	<u>\$ 718,997</u>

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2020 and 2019

NOTE 3 **NET ASSETS WITH DONOR RESTRICTIONS** (Continued)

Net assets with donor restrictions consisted of the following at December 31, 2019:

	January 1, 2019	Additions	Releases	December 31, 2019
Program restrictions:				
India	\$ 24,942	\$ 11,240	\$ (33,902)	\$ 2,280
Nepal	100,676	-	(75,411)	25,265
Haiti	96,291	98,533	(140,591)	54,233
Senegal	-	19,600	(19,600)	-
Policy and advocacy	19,035	50,000	(58,354)	10,681
Research	12,226	63,551	(63,551)	12,226
Conferences	36,532	140,000	(108,262)	68,270
Development	230	-	-	230
Community Liberation Initiative	-	137,019	(137,019)	-
General program	<u>1,000,330</u>	<u>-</u>	<u>(103,229)</u>	<u>897,101</u>
	<u>\$ 1,290,262</u>	<u>\$ 519,943</u>	<u>\$ (739,919)</u>	<u>\$ 1,070,286</u>

NOTE 4 **LIQUIDITY AND AVAILABILITY**

The following tables reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid, not convertible to cash within one year or because the governing board has set aside the funds for a specific purpose.

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 1,122,215	\$ 723,007
Grants and pledges receivable	145,213	435,988
Partner advances	27,777	83,868
Other receivables	<u>46,243</u>	<u>28,843</u>
Subtotal - financial assets available within one year	1,341,448	1,271,706
Less: Donor restricted funds	<u>(718,997)</u>	<u>(1,070,286)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 622,451</u>	<u>\$ 201,420</u>

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.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2020 and 2019

NOTE 5 **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.

In November 2020, a second lease amendment was executed due to the financial hardships caused from the COVID-19 pandemic. Effective August 1, 2020 through March 31, 2021, FTS is required to pay 50% of the original lease amount. Beginning April 1, 2021, FTS is required to pay 100% of the original fixed minimum rent for the remainder of the lease term.

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, 2020 and 2020, the total deferred rent liability aggregated \$21,322 and \$60,520, respectively.

The aggregate remaining maturities of the lease are as follows for the years ended December 31:

2021	\$ 178,102
2022	<u>34,545</u>
	<u>\$ 212,647</u>

Occupancy expense for the years ended December 31, 2020 and 2019 totaled \$125,228 and \$196,248, respectively.

In addition, FTS subleases a portion of its office space under various leases expiring in March 2020. Effective April 1, 2020 the sublet became a month to month lease. Rental income for the years ended December 31, 2020 and 2019 was \$43,494 and \$48,840, respectively and is included in other income on the Statements of Activities.

NOTE 6 **PAYCHECK PROTECTION PROGRAM LOAN**

In April 2020, FTS received a \$123,000 Paycheck Protection Program (PPP) Loan (note) through the Small Business Administration. Under terms of this note, all or a portion of the loan, including accrued interest, may be forgiven if proceeds are used for qualifying expenses and if certain staffing levels are maintained. FTS expects this note to be fully forgiven. However, any unforgiven amounts are payable over a twenty four month period beginning at the time any unforgiven amounts are determined by the Small Business Administration. Interest on the unforgiven balance accrues at 1% annually. As of December 31, 2020, the PPP loan is shown as a liability on the Statements of Financial Position, as forgiveness of the loan did not occur until after year-end, as disclosed below in Note 9.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2020 and 2019

NOTE 7 **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. 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 years ended December 31, 2020 and 2019.

NOTE 8 **RISKS, UNCERTAINTIES AND CONTINGENCIES**

Global Pandemic

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic. The pandemic has caused business disruption through mandated and voluntary closings of businesses for nonessential services and triggered volatility in financial markets and a significant negative impact on the global economy. Management has concluded that while it is reasonably possible that COVID-19 could have a negative impact on the Organization's operations, the specific impact is not readily determinable. However, there are no comparable recent events which may provide guidance as to the effect of the spread of the pandemic. As a result, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Federal Award 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 2020. 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.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2020 and 2019

NOTE 9 **SUBSEQUENT EVENTS**

Subsequent events are defined as events or transactions that occur after the Statement of Financial Position date through the date that the financial statements are available to be issued. All subsequent events have been evaluated through September 22, 2021, which is the date the financial statements were available to be issued.

In January 2021, FTS received a second Paycheck Protection Program loan in the amount of \$98,302. Under terms of this note, all or a portion of the loan, including accrued interest, may be forgiven if proceeds are used for qualifying expenses and if certain staffing levels are maintained.

In April 2021, the first Paycheck Protection Program loan was forgiven in full by the Small Business Administration.

FREE THE SLAVES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2020

<u>Federal Granting Agency and Program Title</u>	<u>Pass-Through Entity</u>	<u>Pass-Through Entity Identifying Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
United States Department of State					
International Programs to Combat Human Trafficking:					
Growing up Free: An Effective Response to Child Trafficking in Ghana	N/A	N/A	19.019	\$ 748,277	\$ 355,249
Activating the Bonded Labour System Abolition Act - India	N/A	N/A	19.019	28,398	792
Countering Trafficking in Persons in the D.R.: Multisector Response and Local Resilience within Targeted Vulnerable Communities	International Association of Women Judges	S-STJIP-18-GR-0011	19.019	<u>81,967</u>	<u>-</u>
		Subtotal CFDA 19.019		<u>858,642</u>	<u>356,041</u>
Total Expenditures of Federal Awards				<u>\$ 858,642</u>	<u>\$ 356,041</u>

FREE THE SLAVES, INC.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

NOTE 1- BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of the Free the Slaves, Inc. under programs of the Federal government and is presented on the accrual basis of accounting for the year ended December 31, 2020. The information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The Schedule presents only a selected portion of the operations of FTS; accordingly, it is not intended to and does not present the financial position, changes in net assets or cash flows of FTS.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3- DE MINIMIS INDIRECT COST RATE

FTS has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

FREE THE SLAVES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

Section I - Summary of Auditors' Results

Financial Statements

1). Type of auditors' report issued	UNMODIFIED
2). Internal control over financial reporting:	
Material weaknesses identified?	NO
Significant deficiencies identified that are not considered to be material weaknesses?	NO
3). Noncompliance material to the financial statements noted?	NO

Federal Awards

4). Internal control over major programs:	
Material weaknesses identified?	NO
Significant deficiencies identified that are not considered to be material weaknesses?	NO
5). Type of auditors' report issued on compliance for major programs	UNMODIFIED
6). Any findings disclosed that are required to be reported in accordance with the Uniform Guidance	NO

<u>Federal Granting Agency and Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
7). Identification of major programs:		
International Programs to Combat Human Trafficking	19.019	\$ 858,642
8). Dollar threshold used to distinguish between Type A and B programs:		\$ 750,000
9). Auditee qualified to be low-risk auditee?		YES

FREE THE SLAVES, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020

Section II – Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Year Audit Findings

None



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

Board of Directors of
Free the Slaves, Inc.
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Free the Slaves, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Free the Slaves, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Free the Slaves, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Free the Slaves, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
September 22, 2021



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

Board of Directors of
Free the Slaves, Inc.
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited Free the Slaves, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Free the Slaves, Inc.'s major federal programs for the year ended December 31, 2020. Free the Slaves, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Free the Slaves, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Free the Slaves, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Free the Slaves, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Free the Slaves, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Free the Slaves, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Free the Slaves, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Free the Slaves, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
September 22, 2021