



FREE THE SLAVES, INC.

**FINANCIAL STATEMENT
WITH
INDEPENDENT AUDITORS' REPORTS**

For the Years Ended December 31, 2022 and 2021

**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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **Free the Slaves, Inc.** (a nonprofit organization), which comprise the statements of financial position as December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Free the Slaves, Inc.** as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Free the Slaves, Inc.'s** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Free the Slaves, Inc.'s** ability to continue as a going concern for a reasonable period of time.

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

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
October 2, 2023

FREE THE SLAVES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 421,508	\$ 797,978
Grants receivable	298,344	268,725
Partner advances	87,121	57,623
Other receivables	68,312	60,827
Inventory	7,448	7,448
Prepaid expenses	4,117	6,446
Property and equipment, net	25,323	32,919
Operating lease, right of use asset, net	90,238	-
Deposits	8,447	8,447
TOTAL ASSETS	\$ 1,010,858	\$ 1,240,413
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 83,065	\$ 75,616
Refundable advances	35,184	44,873
Paycheck Protection Program (PPP) loan	-	98,302
Operating lease liability	92,738	-
Deferred rent	-	7,975
Total Liabilities	210,987	226,766
Net Assets:		
Net assets without donor restrictions	410,042	628,350
With donor restrictions	389,829	385,297
Total Net Assets	799,871	1,013,647
TOTAL LIABILITIES AND NET ASSETS	\$ 1,010,858	\$ 1,240,413

FREE THE SLAVES, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenue:</u>						
Contributions and grants	\$ 1,046,671	\$ 929,414	\$ 1,976,085	\$ 898,264	\$ 172,800	\$ 1,071,064
Government grants	254,374	-	254,374	814,831	-	814,831
In-kind contributions	139,059	-	139,059	130,920	-	130,920
Product sales and other income	35,194	-	35,194	49,522	-	49,522
Net assets released from donor restrictions	924,882	(924,882)	-	506,500	(506,500)	-
Total revenue and support	2,400,180	4,532	2,404,712	2,400,037	(333,700)	2,066,337
<u>Expenses:</u>						
Program services:						
Grassroots Anti-Slavery Program:						
South Asia	168,814	-	168,814	134,535	-	134,535
West Africa	826,491	-	826,491	744,767	-	744,767
East Africa	118,334	-	118,334	95,932	-	95,932
North Africa & Middle East	39,152	-	39,152	60,248	-	60,248
Caribbean	38,800	-	38,800	84,313	-	84,313
Latin America	18,581	-	18,581	60,616	-	60,616
Total grassroots anti-slavery programs	1,210,172	-	1,210,172	1,180,411	-	1,180,411
Communications/Awareness Outreach	239,808	-	239,808	335,543	-	335,543
Workshop & Other Programs	236,312	-	236,312	11,616	-	11,616
Policy and Advocacy	561,425	-	561,425	186,825	-	186,825
Research	76,909	-	76,909	308,667	-	308,667
Total program services	2,324,626	-	2,324,626	2,023,062	-	2,023,062
Supporting services:						
Fundraising	226,641	-	226,641	144,766	-	144,766
Management and General	67,221	-	67,221	61,961	-	61,961
Total supporting services	293,862	-	293,862	206,727	-	206,727
Total expenses	2,618,488	-	2,618,488	2,229,789	-	2,229,789
Change in net assets	(218,308)	4,532	(213,776)	170,248	(333,700)	(163,452)
Net assets, beginning of year	628,350	385,297	1,013,647	458,102	718,997	1,177,099
Net assets, end of year	\$ 410,042	\$ 389,829	\$ 799,871	\$ 628,350	\$ 385,297	\$ 1,013,647

FREE THE SLAVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Services						
	Grassroots Anti-Slavery Program						
	South Asia	West Africa	East Africa	North Africa & Middle East	Caribbean	Latin America	Total Grassroots Anti-Slavery Programs
Personnel	\$ 4,186	\$ 217,522	\$ 15,262	\$ -	\$ -	\$ 475	\$ 237,445
Grants to partners	34,301	160,237	-	-	-	-	194,538
Professional services	83,400	111,690	46,702	30,094	28,494	13,636	314,016
Travel expenses	9,518	102,428	15,200	-	74	-	127,220
Vehicle maintenance	-	2,210	36	-	-	-	2,246
Occupancy	-	35,888	5,247	-	-	-	41,135
Depreciation	-	7,597	-	-	-	-	7,597
Technology and communication	1,328	11,938	4,261	158	34	462	18,181
Postage, printing and supplies	16	2,171	939	-	-	86	3,212
Meetings and events	-	3,270	1,325	-	-	-	4,595
Bank and merchant fees	1,700	2,336	1,225	1,162	30	250	6,703
Insurance	-	2,011	2,410	-	-	-	4,421
Training and staff development	-	-	-	-	-	-	-
Service fees	-	22	-	-	-	-	22
Subscriptions, publications and dues	-	600	-	-	-	-	600
Other direct costs	975	10,212	758	-	-	-	11,945
Other expenses	-	8,007	1,588	-	2,500	-	12,095
Subtotal	135,424	678,139	94,953	31,414	31,132	14,909	985,971
Allocation of management and general	33,390	148,352	23,381	7,738	7,668	3,672	224,201
TOTAL	<u>\$ 168,814</u>	<u>\$ 826,491</u>	<u>\$ 118,334</u>	<u>\$ 39,152</u>	<u>\$ 38,800</u>	<u>\$ 18,581</u>	<u>\$ 1,210,172</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, 2022

	<u>Program Services (Continued)</u>					<u>Supporting Services</u>			
	<u>Communications/</u>	<u>Workshops</u>	<u>Policy and</u>	<u>Research</u>	<u>Total</u>	<u>Fundraising</u>	<u>Management</u>	<u>Total</u>	<u>Total</u>
	<u>Awareness</u>	<u>& Other</u>			<u>Advocacy</u>		<u>Program</u>	<u>and General</u>	<u>Supporting</u>
	<u>Outreach</u>	<u>Programs</u>	<u>Advocacy</u>	<u>Research</u>	<u>Services</u>			<u>Services</u>	
Personnel	\$ 47,990	\$ 83,565	\$ 45,259	\$ 11,201	\$ 425,460	\$ 123,080	\$ 311,295	\$ 434,375	\$ 859,835
Grants to partners	-	2,123	-	14,458	211,119	-	-	-	211,119
Professional services	13,203	73,892	44,677	6,897	452,685	26,868	93,244	120,112	572,797
Travel expenses	1,008	8,277	183,004	12,432	331,941	8,104	30,621	38,725	370,666
Vehicle maintenance	-	-	52	-	2,298	-	-	-	2,298
Occupancy	5,753	8,554	5,439	1,751	62,632	11,263	32,821	44,084	106,716
Depreciation	-	-	-	-	7,597	-	-	-	7,597
Technology and communication	4,571	1,804	650	1,171	26,377	-	35,217	35,217	61,594
Postage, printing and supplies	-	1,102	1,272	70	5,656	4,233	1,401	5,634	11,290
Meetings and events	-	10,050	103,775	-	118,420	315	1,727	2,042	120,462
Bank and merchant fees	-	175	367	100	7,345	-	9,233	9,233	16,578
Insurance	-	-	-	182	4,603	-	13,369	13,369	17,972
Training and staff development	-	-	1,755	-	1,755	500	788	1,288	3,043
Service fees	-	-	-	-	22	8	6,155	6,163	6,185
Subscriptions, publications and dues	4,196	-	52,689	5,948	63,433	3,558	12,815	16,373	79,806
Other direct cost	-	-	3,215	-	15,160	75	789	864	16,024
Other expenses	115,364	-	6,521	7,500	141,480	3,634	9,392	13,026	154,506
Subtotal	192,085	189,542	448,675	61,710	1,877,983	181,638	558,867	740,505	2,618,488
Allocation of management and general	47,723	46,770	112,750	15,199	446,643	45,003	(491,646)	(446,643)	-
<u>TOTAL</u>	<u>\$ 239,808</u>	<u>\$ 236,312</u>	<u>\$ 561,425</u>	<u>\$ 76,909</u>	<u>\$ 2,294,865</u>	<u>\$ 226,641</u>	<u>\$ 67,221</u>	<u>\$ 293,862</u>	<u>\$ 2,618,488</u>

FREE THE SLAVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services						
	Grassroots Anti-Slavery Program						
	South Asia	West Africa	East Africa	North Africa & Middle East	Caribbean	Latin America	Total Grassroots Anti-Slavery Programs
Personnel	\$ 3,600	\$ 246,719	\$ 50,739	\$ -	\$ 1,328	\$ 7,686	\$ 310,072
Grants to partners	47,707	237,737	-	-	-	-	285,444
Professional services	54,000	31,411	10,482	47,858	65,758	38,219	247,728
Travel expenses	1,619	23,537	742	-	-	-	25,898
Vehicle maintenance	-	2,342	-	-	-	-	2,342
Occupancy	-	31,312	11,193	-	145	1,897	44,547
Depreciation	-	7,031	-	-	-	-	7,031
Technology and communication	441	17,425	2,105	-	420	533	20,924
Postage, printing and supplies	-	3,682	-	-	-	-	3,682
Meetings and events	-	3,470	-	-	-	-	3,470
Bank and merchant fees	1,200	1,539	643	-	-	302	3,684
Insurance	-	2,340	740	-	-	-	3,080
Training and staff development	-	487	-	-	-	-	487
Service fees	-	157	-	-	-	-	157
Subscriptions, publications and dues	-	5,660	-	158	-	-	5,818
Other expenses	-	3,430	331	325	-	-	4,086
Subtotal	108,567	618,279	76,975	48,341	67,651	48,637	968,450
Allocation of management and general	25,968	126,488	18,957	11,907	16,662	11,979	211,961
TOTAL	<u>\$ 134,535</u>	<u>\$ 744,767</u>	<u>\$ 95,932</u>	<u>\$ 60,248</u>	<u>\$ 84,313</u>	<u>\$ 60,616</u>	<u>\$ 1,180,411</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, 2021

	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	\$ 115,557	\$ 7,727	\$ 30,050	\$ 122,880	\$ 586,286	\$ 66,544	\$ 265,462	\$ 332,006	\$ 918,292
Grants to partners	-	-	-	3,777	289,221	-	-	-	289,221
Professional services	11,322	-	93,423	99,173	451,646	32,080	77,967	110,047	561,693
Travel expenses	-	-	24,043	269	50,210	-	8,035	8,035	58,245
Vehicle maintenance	-	-	-	-	2,342	-	-	-	2,342
Occupancy	13,366	1,593	2,408	11,394	73,308	10,740	19,787	30,527	103,835
Depreciation	-	-	-	-	7,031	-	-	-	7,031
Technology and communication	755	-	161	6,183	28,023	301	35,291	35,592	63,615
Postage, printing and supplies	-	-	151	334	4,167	221	464	685	4,852
Meetings and events	-	-	-	379	3,849	-	177	177	4,026
Bank and merchant fees	-	-	-	887	4,571	25	14,568	14,593	19,164
Insurance	-	-	82	-	3,162	-	14,684	14,684	17,846
Training and staff development	-	-	-	2,179	2,666	-	540	540	3,206
Service fees	-	-	-	-	157	-	5,813	5,813	5,970
Subscriptions, publications and dues	2,768	-	-	-	8,586	3,433	2,007	5,440	14,026
Other expenses	125,464	-	380	250	130,180	2,813	23,432	26,245	156,425
Subtotal	269,232	9,320	150,698	247,705	1,645,405	116,157	468,227	584,384	2,229,789
Allocation of management and general	66,311	2,296	36,127	60,962	377,657	28,609	(406,266)	(377,657)	-
<u>TOTAL</u>	<u>\$ 335,543</u>	<u>\$ 11,616</u>	<u>\$ 186,825</u>	<u>\$ 308,667</u>	<u>\$ 2,023,062</u>	<u>\$ 144,766</u>	<u>\$ 61,961</u>	<u>\$ 206,727</u>	<u>\$ 2,229,789</u>

FREE THE SLAVES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (213,776)	\$ (163,452)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	7,597	7,031
Forgiveness of Paycheck Protection Program loan	(98,302)	(123,000)
Amortization of right of use asset	55,527	-
Deferred rent	-	(13,347)
Loss on sale of property and equipment	-	2,950
Change in operating assets and liabilities:		
Grants receivable	(29,619)	(93,512)
Partner advances	(29,498)	(29,846)
Other receivables	(7,485)	(14,584)
Inventory	-	15,000
Prepaid expenses	2,329	4,336
Accounts payable and accrued liabilities	7,449	9,478
Operating lease liability	(60,999)	-
Refundable advances	(9,689)	14,392
Net cash used in operating activities	(376,466)	(384,554)
<u>Cash Flows From Investing Activities:</u>		
Purchases of property and equipment	-	(37,985)
Net cash used in investing activities	-	(37,985)
<u>Cash Flows From Financing Activities:</u>		
Proceeds from Paycheck Protection Program (PPP) loan	-	98,302
Net cash provided by financing activities	-	98,302
Net (decrease) in cash and cash equivalents	(376,466)	(324,237)
Cash and cash equivalents, beginning of year	797,978	1,122,215
Cash and cash equivalents, end of year	\$ 421,512	\$ 797,978

FREE THE SLAVES, INC.
Notes to the Financial Statements
December 31, 2022 and 2021

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.

A summary of FTS' significant programs consists of:

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 South Asia, West Africa, East Africa, North Africa and Middle East, Caribbean and Latin America. 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, 2022 and 2021

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*.

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, 2022 and 2021, FTS has uninsured balances of \$39,306 and \$345,149, 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.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

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

Grants receivable

Grants receivable are recorded at their net realizable value, which approximates fair value and any non-current portion of grants 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 is 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.

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.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

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

Leases

FTS assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payment over the lease term, using the risk-free discount rate, and ROU assets also include prepaid or accrued rent.

Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for short-term leases (leases with a term of 12 months or less).

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.

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 and recognized as revenue when qualifying expenses are incurred.

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.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2022 and 2021

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

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.

Uncertain tax positions

For the years ended December 31, 2022 and 2021, 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.

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.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which changes the accounting for leases. While both lessees and lessors are affected by the new guidance, the effects on lessors is largely unchanged. Under the new guidance, lessees are required to recognize the following for all long-term leases: (1) a lease liability, which is the lessee's obligation to make lease payments measured on a discounted basis and (2) a right-of-use (ROU) asset, which represents the lessee's right to use (or control the use of) a specified asset for the lease term. FTS adopted this new standard using the effective method as of January 1, 2022 and has elected all available practical expedients. FTS recorded a ROU asset in the amount of \$153,736 and a corresponding lease liability in the amount of \$153,736 on January 1, 2022 in connection with the adoption of this standard.

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NOTE 2 **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2022:

	January 1, 2022	Additions	Releases	December 31, 2022
Program restrictions:				
India	\$ 3,013	\$ -	\$ -	\$ 3,013
Haiti	3,700	-	-	3,700
Policy and advocacy	35,458	55,000	(90,458)	-
Research	3,094	-	-	3,094
Conferences	60,586	119,980	(132,731)	47,835
Development	230	-	-	230
General program	<u>279,216</u>	<u>754,434</u>	<u>(701,693)</u>	<u>331,957</u>
	<u>\$ 385,297</u>	<u>\$ 929,414</u>	<u>\$ (924,882)</u>	<u>\$ 389,829</u>

Net assets with donor restrictions consisted of the following at December 31, 2021:

	January 1, 2021	Additions	Releases	December 31, 2021
Program restrictions:				
India	\$ 2,280	\$ 25,000	\$ (24,267)	\$ 3,013
Haiti	25,751	-	(22,051)	3,700
Dominican Republic	10,000	7,500	(17,500)	-
Policy and advocacy	39,184	55,300	(59,026)	35,458
Research	3,094	-	-	3,094
Conferences	58,270	85,000	(82,684)	60,586
Development	230	-	-	230
General program	<u>580,188</u>	<u>-</u>	<u>(300,972)</u>	<u>279,216</u>
	<u>\$ 718,997</u>	<u>\$ 172,800</u>	<u>\$ (506,500)</u>	<u>\$ 385,297</u>

NOTE 3 **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. This note was fully forgiven in April 2021 and is recognized as a government grant in the accompanying Statements of Activities.

In January 2021, FTS received a second PPP loan in the amount of \$98,302. Until forgiveness is granted, the loan bears interest at a rate of 1% per annum and matures in January 2026. As of December 31, 2021, the PPP loan is shown as a liability on the Statements of Financial Position. In February 2022, the second PPP loan was forgiven in full.

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NOTE 4 LIQUIDITY AND AVAILABILITY

The following tables reflects the Organization’s financial assets as of December 31, 2022 and 2021, 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.

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 421,508	\$ 797,978
Grants and pledges receivable	298,344	268,725
Partner advances	87,121	57,623
Other receivables	<u>68,312</u>	<u>60,827</u>
Subtotal - financial assets available within one year	875,285	1,185,153
Less: Donor restricted funds	<u>(389,829)</u>	<u>(385,297)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 485,456</u>	<u>\$ 799,856</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.

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.

A lease amendment was executed in June 2022 which extended the lease term through February 29, 2024. Minimum payments are \$6,250 per month and increase to \$6,750 effective March 1, 2023.

The remaining lease term is 30 months and the discount rate is 1.50%. Future maturities of the lease liability as of December 31, 2022 are as follows:

2023	\$ 79,246
2024	<u>13,492</u>
	<u>\$ 92,738</u>

Occupancy expense for the years ended December 31, 2022 and 2021 totaled \$69,525 and \$88,284, respectively.

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NOTE 5 **LEASE COMMITMENT** (Continued)

In addition, FTS subleases a portion of its office space under various leases, which expired in March 2020. Effective April 1, 2020 the sublet became a month to month lease. Rental income for the years ended December 31, 2022 and 2021 was \$26,177 and \$23,724, respectively and is included in other income on the Statements of Activities.

NOTE 6 **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, 2022 and 2021.

NOTE 7 **IN-KIND CONTRIBUTIONS**

Donated services are recognized as in-kind contributions and expensed in accordance with U.S. GAAP. In order to meet the criteria for recognition in the financial statements, contributions of donated services must: (a) create or enhance non-financial assets or (b) require specialized skills, be performed by people with those skills and would otherwise have to be purchased by the Society. In addition, volunteers have donated significant amounts of their time to the Society; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as in-kind contributed services.

In-kind contributions, which were all donated without restrictions, consisted of the following for the year ended December 31, 2022 and 2021:

	2022	
	Revenue	
	<u>Recognized</u>	<u>Programs/Activities</u>
Professional services	\$ 115,363	Communications/Awareness Outreach
Professional services	23,696	Management and General
	<u>\$ 139,059</u>	
	2021	
	Revenue	
	<u>Recognized</u>	<u>Programs/Activities</u>
Professional services	\$ 120,960	Communications/Awareness Outreach
Professional services	9,960	Management and General
	<u>\$ 130,920</u>	

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NOTE 8 **RISKS, UNCERTAINTIES AND CONTINGENCIES**

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 2022. 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.

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 October 2, 2023, which is the date the financial statements were available to be issued.