

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2013**

FREE THE SLAVES, INC.

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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, 2014, 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. 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, 2014, 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' 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

July 11, 2015

FREE THE SLAVES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,068,377	\$ 862,848
Grants and pledges receivable	650,795	481,134
Partner advances	66,392	190,408
Other receivables	19,309	21,422
Inventory	30,400	31,198
Prepaid expenses	<u>27,472</u>	<u>15,416</u>
Total current assets	<u>1,862,745</u>	<u>1,602,426</u>
NONCURRENT ASSETS		
Security deposit	<u>8,447</u>	<u>8,447</u>
TOTAL ASSETS	<u>\$ 1,871,192</u>	<u>\$ 1,610,873</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>38,470</u>	\$ <u>72,194</u>
NONCURRENT LIABILITIES		
Deferred rent (Note 3)	<u>57,635</u>	<u>-</u>
Total liabilities	<u>96,105</u>	<u>72,194</u>
NET ASSETS		
Unrestricted	649,406	903,496
Temporarily restricted (Note 2)	<u>1,125,681</u>	<u>635,183</u>
Total net assets	<u>1,775,087</u>	<u>1,538,679</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,871,192</u>	<u>\$ 1,610,873</u>

FREE THE SLAVES, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 616,814	\$ 2,058,360	\$ 2,675,174	\$ 2,215,576
Government grants (Note 5)	599,524	-	599,524	451,453
In-kind contributions	137,470	-	137,470	49,288
Product sales and other income	11,524	-	11,524	15,599
Interest income	199	-	199	218
Net assets released from donor restrictions (Note 2)	<u>1,567,862</u>	<u>(1,567,862)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,933,393</u>	<u>490,498</u>	<u>3,423,891</u>	<u>2,732,134</u>
EXPENSES				
Program Services:				
Grassroots Anti-Slavery Programs:				
India	561,037	-	561,037	494,507
Nepal	247,208	-	247,208	226,031
Ghana	201,975	-	201,975	232,555
Democratic Republic of Congo	533,846	-	533,846	321,777
Haiti	272,896	-	272,896	265,473
Brazil	62,536	-	62,536	44,015
Other	<u>25,636</u>	<u>-</u>	<u>25,636</u>	<u>-</u>
Total Grassroots Anti- Slavery Programs	1,905,134	-	1,905,134	1,584,358
Communications/Awareness Outreach	203,517	-	203,517	130,556
Research	96,626	-	96,626	71,304
Policy and Advocacy	<u>207,880</u>	<u>-</u>	<u>207,880</u>	<u>53,749</u>
Total program services	<u>2,413,157</u>	<u>-</u>	<u>2,413,157</u>	<u>1,839,967</u>
Supporting Services:				
Fundraising	308,396	-	308,396	230,496
Management and General	<u>465,930</u>	<u>-</u>	<u>465,930</u>	<u>530,803</u>
Total supporting services	<u>774,326</u>	<u>-</u>	<u>774,326</u>	<u>761,299</u>
Total expenses	<u>3,187,483</u>	<u>-</u>	<u>3,187,483</u>	<u>2,601,266</u>
Change in net assets	(254,090)	490,498	236,408	130,868
Net assets at beginning of year	<u>903,496</u>	<u>635,183</u>	<u>1,538,679</u>	<u>1,407,811</u>
NET ASSETS AT END OF YEAR	<u>\$ 649,406</u>	<u>\$ 1,125,681</u>	<u>\$ 1,775,087</u>	<u>\$ 1,538,679</u>

FREE THE SLAVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014							
	Program Services							
	Grassroots Anti-Slavery Programs							
	India	Nepal	Ghana	Democratic Republic of Congo	Haiti	Brazil	Other	Total Grassroots Anti-Slavery Programs
Grants to partners	\$ 354,947	\$ 138,425	\$ 56,778	\$ 263,302	\$ 101,885	\$ 40,261	\$ -	\$ 955,598
Personnel	99,939	52,556	84,479	171,087	76,767	16,857	3,089	504,774
Professional services	48,305	32,071	22,111	17,224	58,784	3,011	-	181,506
Travel expenses	29,681	11,122	22,234	35,164	13,165	135	-	111,501
Occupancy (Note 3)	20,712	6,534	11,324	27,044	10,265	1,938	492	78,309
Technology and communication	1,337	413	1,545	1,350	1,107	-	-	5,752
Postage, printing and supplies	1,155	1,166	654	4,381	1,372	-	8	8,736
Bank and merchant fees	2,956	75	1,387	2,605	1,163	225	-	8,411
Insurance	95	1,844	150	2,085	1,874	-	1,310	7,358
Service fees	-	-	-	-	-	-	-	-
Video production	-	-	-	263	-	-	-	263
Other expenses	-	-	925	3,415	798	-	-	5,138
Subscriptions, publications and dues	109	109	109	2,961	109	109	-	3,506
Training and staff development	85	2,268	18	20	4,527	-	20,737	27,655
Meetings and events	1,716	625	261	2,945	1,080	-	-	6,627
Subtotal	561,037	247,208	201,975	533,846	272,896	62,536	25,636	1,905,134
Allocation of management and general	58,230	54,015	43,433	81,086	45,669	13,664	5,601	301,698
TOTAL	\$ 619,267	\$ 301,223	\$ 245,408	\$ 614,932	\$ 318,565	\$ 76,200	\$ 31,237	\$ 2,206,832

See accompanying notes to financial statements.

FREE THE SLAVES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013

	2014 (Continued)						2013		
	Program Services (Continued)			Supporting Services					
	Communications/ Awareness Outreach	Research	Policy and Advocacy	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses	Total Expenses
Grants to partners	\$ -	\$ -	\$ -	\$ 955,598	\$ -	\$ -	\$ -	\$ 955,598	\$ 839,851
Personnel	83,951	74,295	63,496	726,516	246,023	237,652	483,675	1,210,191	772,922
Professional services	66,996	967	78,343	327,812	1,569	92,176	93,745	421,557	523,797
Travel expenses	2,137	8,661	44,842	167,141	9,166	17,425	26,591	193,732	141,595
Occupancy (Note 3)	8,269	8,329	7,713	102,620	28,897	27,895	56,792	159,412	121,686
Technology and communication	29,030	1,287	991	37,060	16,008	27,139	43,147	80,207	46,294
Postage, printing and supplies	7,581	1,144	1,184	18,645	2,501	9,337	11,838	30,483	32,819
Bank and merchant fees	50	69	-	8,530	-	11,267	11,267	19,797	18,429
Insurance	215	486	-	8,059	-	9,208	9,208	17,267	16,346
Service fees	-	-	-	-	-	5,532	5,532	5,532	5,635
Video production	(937)	-	937	263	-	-	-	263	15,813
Other expenses	5,767	-	1,027	11,932	3,055	17,595	20,650	32,582	29,346
Subscriptions, publications and dues	90	85	-	3,681	732	5,005	5,737	9,418	1,854
Training and staff development	368	578	80	28,681	170	223	393	29,074	25,945
Meetings and events	-	725	9,267	16,619	275	5,476	5,751	22,370	8,934
Subtotal	203,517	96,626	207,880	2,413,157	308,396	465,930	774,326	3,187,483	2,601,266
Allocation of management and general	40,199	21,113	29,182	392,192	67,384	(459,576)	(392,192)	-	-
TOTAL	\$ 243,716	\$ 117,739	\$ 237,062	\$ 2,805,349	\$ 375,780	\$ 6,354	\$ 382,134	\$ 3,187,483	\$ 2,601,266

See accompanying notes to financial statements.

FREE THE SLAVES, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 236,408	\$ 130,868
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Uncollectable pledge	-	10,000
Change in allowance for doubtful receivables	-	1,000
(Increase) decrease in:		
Grants and pledges receivable	(169,661)	(306,522)
Partner advances	124,016	(136,936)
Other receivables	2,113	(6,989)
Inventory	798	1,097
Prepaid expenses	(12,056)	(1,856)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(33,724)	(11,039)
Deferred rent	<u>57,635</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>205,529</u>	<u>(320,377)</u>
Net increase (decrease) in cash and cash equivalents	205,529	(320,377)
Cash and cash equivalents at beginning of year	<u>862,848</u>	<u>1,183,225</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,068,377</u>	<u>\$ 862,848</u>

FREE THE SLAVES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

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 helps free people from slavery and helps them achieve sustainable freedom through effective community-driven interventions, and through supporting and working with grassroots anti-slavery groups to dismantle systems of slavery in Brazil, the Democratic Republic of Congo, Ghana, Haiti, India and Nepal. Partnerships with these groups focus on information-sharing, communications, funding, technology and capacity-building to expand liberation, rehabilitation and reintegration of those in slavery. FTS seeks to demonstrate that eradication is possible, build knowledge on how to combat slavery, and inform efforts for wider impact to dramatically and measurably decrease the prevalence of slavery.

Policy and Advocacy - FTS seeks to convince governments, international development organizations and businesses to implement key changes required for the global eradication of slavery. In partnership with other organizations, FTS works to get policymakers both domestically and abroad to implement anti-slavery policies and plans, and actively work towards dismantling systems of slavery.

Research - FTS seeks to highlight and disseminate leading-edge promising practices to help the entire anti-slavery movement work together more effectively. FTS investigates and documents the extent and nature of slavery around the world, and which approaches are successful in eradicating slavery.

Communications/Awareness Outreach - FTS works to increase public awareness of contemporary slavery and increase public engagement in advocacy through media outreach, visual and other documentation of slavery, multi-media educational presentations, social media and on-line outreach, speaking engagements, outreach through FTS college chapters, faith groups, and other groups, and the world's largest freely available video library on modern day slavery. FTS sponsors the Freedom Awards, which honors anti-slavery heroes and highlights successes and best practices in combating slavery worldwide. FTS connects activists with journalists around the world to build a community of practitioners, foster understanding and create a climate in which slavery is no longer tolerated.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

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, 2013, 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.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

Cash and cash equivalents (continued) -

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.

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 stated at their net present value. At December 31, 2014, 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. At December 31, 2014, all property and equipment was fully depreciated.

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 year ended December 31, 2014, 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.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Inventory -

Inventory consists of publications which are recorded at the lower of cost or fair value using the first-in, first-out method.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of FTS and include both internally designated and undesignated resources.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

Net asset classification (continued) -

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of FTS and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Revenue recognition -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

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, 2014, the value of such contributions, which are included in revenue and expense, totaled \$137,470.

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.

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.

2. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2014:

India	\$	359,331
Nepal		267,655
Ghana		27,264
Democratic Republic of Congo		201,769
Haiti		10,000
Brazil		58,514
Policy and Advocacy		83,922
Research		<u>117,226</u>
	\$	<u>1,125,681</u>

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

2. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes specified by the donors:

India	\$ 409,484
Nepal	228,695
Ghana	162,525
Democratic Republic of Congo	301,102
Haiti	150,000
Brazil	60,486
Policy and Advocacy	150,570
Research	<u>105,000</u>
	<u>\$ 1,567,862</u>

3. 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 on May 1, 2015.

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, 2014, the total deferred rent liability aggregated \$57,635.

Following is a schedule of the future minimum lease payments:

Year Ending December 31,

2015	\$ 128,095
2016	175,338
2017	180,599
2018	186,017
2019	191,597
Thereafter	<u>435,149</u>
	<u>\$ 1,296,795</u>

Occupancy expense for the year ended December 31, 2014 totaled \$159,412.

4. 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 year ended December 31, 2014.

FREE THE SLAVES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

5. CONTINGENCY

FTS receives awards from various agencies of the United States Government; such awards are subject to audit under the provisions of OMB Circular A-133. 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 provisions of OMB Circular A-133 have been completed for all required fiscal years through 2014. 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.

6. SUBSEQUENT EVENTS

In preparing these financial statements, FTS has evaluated events and transactions for potential recognition or disclosure through July 11, 2015, the date the financial statements were issued.