

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2014**

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, 2015, 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, 2015, 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' 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 11, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

October 31, 2016

FREE THE SLAVES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 950,328	\$ 1,068,377
Grants and pledges receivable	649,021	650,795
Partner advances	22,078	66,392
Other receivables	8,437	19,309
Inventory	30,199	30,400
Prepaid expenses	<u>22,780</u>	<u>27,472</u>
Total current assets	<u>1,682,843</u>	<u>1,862,745</u>
PROPERTY AND EQUIPMENT		
Furniture and equipment	15,041	15,041
Less: Accumulated depreciation and amortization	<u>(15,041)</u>	<u>(15,041)</u>
Net property and equipment	<u>-</u>	<u>-</u>
NONCURRENT ASSETS		
Security deposit	<u>8,447</u>	<u>8,447</u>
TOTAL ASSETS	<u>\$ 1,691,290</u>	<u>\$ 1,871,192</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 90,024	\$ 38,470
Deferred rent (Note 3)	<u>2,830</u>	<u>-</u>
Total current liabilities	<u>92,854</u>	<u>38,470</u>
NONCURRENT LIABILITIES		
Deferred rent (Note 3)	<u>100,014</u>	<u>57,635</u>
Total liabilities	<u>192,868</u>	<u>96,105</u>
NET ASSETS		
Unrestricted	559,624	649,406
Temporarily restricted (Note 2)	<u>938,798</u>	<u>1,125,681</u>
Total net assets	<u>1,498,422</u>	<u>1,775,087</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,691,290</u>	<u>\$ 1,871,192</u>

FREE THE SLAVES, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 538,439	\$ 1,705,565	\$ 2,244,004	\$ 2,675,174
Government grants (Note 5)	487,766	-	487,766	599,524
In-kind contributions	366,664	-	366,664	137,470
Product sales and other income	22,198	-	22,198	11,524
Interest income	80	-	80	199
Net assets released from donor restrictions (Note 2)	<u>1,892,448</u>	<u>(1,892,448)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>3,307,595</u>	<u>(186,883)</u>	<u>3,120,712</u>	<u>3,423,891</u>
EXPENSES				
Program Services:				
Grassroots Anti-Slavery Programs:				
India	613,764	-	613,764	561,037
Nepal	272,693	-	272,693	247,208
Ghana	229,902	-	229,902	201,975
Democratic Republic of Congo	471,403	-	471,403	533,846
Haiti	177,285	-	177,285	272,896
Brazil	53,761	-	53,761	62,536
Other	<u>137,886</u>	<u>-</u>	<u>137,886</u>	<u>25,636</u>
Total Grassroots Anti- Slavery Programs	1,956,694	-	1,956,694	1,905,134
Communications/Awareness Outreach	420,363	-	420,363	203,517
Research	119,481	-	119,481	96,626
Policy and Advocacy	<u>158,097</u>	<u>-</u>	<u>158,097</u>	<u>207,880</u>
Total program services	<u>2,654,635</u>	<u>-</u>	<u>2,654,635</u>	<u>2,413,157</u>
Supporting Services:				
Fundraising	311,141	-	311,141	308,396
Management and General	<u>431,601</u>	<u>-</u>	<u>431,601</u>	<u>465,930</u>
Total supporting services	<u>742,742</u>	<u>-</u>	<u>742,742</u>	<u>774,326</u>
Total expenses	<u>3,397,377</u>	<u>-</u>	<u>3,397,377</u>	<u>3,187,483</u>
Change in net assets	(89,782)	(186,883)	(276,665)	236,408
Net assets at beginning of year	<u>649,406</u>	<u>1,125,681</u>	<u>1,775,087</u>	<u>1,538,679</u>
NET ASSETS AT END OF YEAR	<u>\$ 559,624</u>	<u>\$ 938,798</u>	<u>\$ 1,498,422</u>	<u>\$ 1,775,087</u>

FREE THE SLAVES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	2015							
	Program Services							
	Grassroots Anti-Slavery Programs							
	India	Nepal	Ghana	Democratic Republic of Congo	Haiti	Brazil	Other	Total Grassroots Anti-Slavery Programs
Personnel	\$ 129,821	\$ 69,398	\$ 105,863	\$ 158,346	\$ 100,597	\$ 16,758	\$ 9,851	\$ 590,634
Grants to partners	306,883	141,787	48,450	196,815	50,024	24,953	-	768,912
Professional services	96,960	28,804	8,533	35,165	2,723	9,720	101,202	283,107
Travel expenses	47,543	18,745	27,885	44,210	13,045	435	11,967	163,830
Occupancy (Note 3)	25,706	9,084	14,826	20,840	6,661	1,620	1,951	80,688
Technology and communication	2,089	377	5,974	2,678	866	-	4,786	16,770
Postage, printing and supplies	606	468	9,411	1,283	103	-	14	11,885
Meetings and events	-	1,978	443	1,803	44	-	23	4,291
Bank and merchant fees	2,279	600	1,173	2,509	984	275	240	8,060
Insurance	261	562	1,893	696	941	-	5,408	9,761
Training and staff development	130	766	68	4,248	550	-	125	5,887
Service fees	-	-	2,640	250	-	-	-	2,890
Subscriptions, publications and dues	-	-	626	-	-	-	-	626
Video production	-	-	-	-	-	-	-	-
Other expenses	1,486	124	2,117	2,560	747	-	2,319	9,353
Subtotal	613,764	272,693	229,902	471,403	177,285	53,761	137,886	1,956,694
Allocation of management and general	70,354	37,004	35,690	65,358	27,593	8,758	22,462	267,219
TOTAL	\$ 684,118	\$ 309,697	\$ 265,592	\$ 536,761	\$ 204,878	\$ 62,519	\$160,348	\$ 2,223,913

See accompanying notes to financial statements.

FREE THE SLAVES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014

	2015 (Continued)							2014	
	Program Services (Continued)				Supporting Services			Total Expenses	Total Expenses
	Communications/ Awareness Outreach	Research	Policy and Advocacy	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses	Total Expenses
Personnel	\$ 122,741	\$ 77,400	\$ 59,368	\$ 850,143	\$ 187,240	\$ 233,350	\$ 420,590	\$1,270,733	\$ 1,210,191
Grants to partners	-	-	-	768,912	-	-	-	768,912	955,598
Professional services	232,116	19,967	45,285	580,475	62,193	64,930	127,123	707,598	421,557
Travel expenses	23,464	4,094	28,429	219,817	14,446	4,908	19,354	239,171	193,732
Occupancy (Note 3)	17,043	12,565	10,381	120,677	29,379	41,301	70,680	191,357	159,412
Technology and communication	10,707	5,048	1,019	33,544	9,781	34,355	44,136	77,680	80,207
Postage, printing and supplies	10,791	77	178	22,931	3,645	11,233	14,878	37,809	30,483
Meetings and events	640	-	12,937	17,868	1,026	4,997	6,023	23,891	22,370
Bank and merchant fees	400	150	-	8,610	50	15,207	15,257	23,867	19,797
Insurance	-	-	-	9,761	-	9,172	9,172	18,933	17,267
Training and staff development	437	180	-	6,504	670	1,804	2,474	8,978	29,074
Service fees	-	-	-	2,890	-	4,586	4,586	7,476	5,532
Subscriptions, publications and dues	1,245	-	500	2,371	307	1,991	2,298	4,669	9,418
Video production	-	-	-	-	-	-	-	-	263
Other expenses	779	-	-	10,132	2,404	3,767	6,171	16,303	32,582
Subtotal	420,363	119,481	158,097	2,654,635	311,141	431,601	742,742	3,397,377	3,187,483
Allocation of management and general	68,478	19,464	25,754	380,915	50,686	(431,601)	(380,915)	-	-
TOTAL	\$ 488,841	\$138,945	\$ 183,851	\$ 3,035,550	\$ 361,827	\$ -	\$ 361,827	\$3,397,377	\$ 3,187,483

See accompanying notes to financial statements.

FREE THE SLAVES, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (276,665)	\$ 236,408
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Decrease (increase) in:		
Grants and pledges receivable	1,774	(169,661)
Partner advances	44,314	124,016
Other receivables	10,872	2,113
Inventory	201	798
Prepaid expenses	4,692	(12,056)
Increase (decrease) in:		
Accounts payable and accrued liabilities	51,554	(33,724)
Deferred rent	<u>45,209</u>	<u>57,635</u>
Net cash (used) provided by operating activities	<u>(118,049)</u>	<u>205,529</u>
Net (decrease) increase in cash and cash equivalents	(118,049)	205,529
Cash and cash equivalents at beginning of year	<u>1,068,377</u>	<u>862,848</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 950,328</u>	<u>\$ 1,068,377</u>

FREE THE SLAVES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, Brazil, Ghana and 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 sex slavery. FTS educates and prepares people who are migrating abroad for work on ways to avoid the tricks of traffickers, and we educate children to prevent their enslavement later in life.

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

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

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

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

Basis of presentation -

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

FREE THE SLAVES, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

Basis of presentation (continued) -

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, 2014, from which the summarized information was derived.

Cash and cash equivalents -

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

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

As of December 31, 2015, FTS had \$55,385 of cash and cash equivalents held at financial institutions in foreign countries. The majority of funds held in foreign countries are uninsured.

Foreign currency translation -

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

Grants and pledges receivable -

Grants and pledges receivable are recorded at their net realizable value, which approximates fair value and any non-current portion of grants and pledges receivable are measured as the present value of their future cash flows, discounted using risk-adjusted interest rates applicable to the years in which the promises are received. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

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

Income taxes -

FTS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. 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, 2015, 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.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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.
- **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.

FTS receives funding under grants and contracts from the U.S. and foreign governments, international organizations and other grantors 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 grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

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, 2015, the value of such in-kind contributions, which are included in revenue and expense, totaled \$366,664. The following programs have benefited from these donated services:

Grassroots Anti-Slavery Programs	\$ 263,377
Management and General	<u>103,287</u>
	<u>\$ 366,664</u>

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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 as of December 31, 2015:

India	\$ 315,774
Nepal	247,237
Ghana	28,203
Democratic Republic of Congo	149,738
Haiti	37,977
Brazil	52,832
Policy and Advocacy	29,970
Research	<u>77,067</u>
	<u>\$ 938,798</u>

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

India	\$ 478,121
Nepal	315,418
Ghana	163,657
Democratic Republic of Congo	352,031
Haiti	195,023
Brazil	64,682
Policy and Advocacy	164,857
Research	145,159
Other	<u>13,500</u>
	<u>\$ 1,892,448</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.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

3. LEASE COMMITMENT (Continued)

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, 2015, the total deferred rent liability aggregated \$102,844.

Following is a schedule of the future minimum lease payments:

Year Ending December 31,

2016	\$ 175,338
2017	180,599
2018	186,017
2019	191,597
2020	197,345
Thereafter	<u>237,804</u>
	<u>\$ 1,168,700</u>

Occupancy expense for the year ended December 31, 2015 totaled \$191,357.

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, 2015.

5. CONTINGENCY

FTS receives grants from various agencies of the United States Government. For fiscal years through December 31, 2014, such grants were subject to audit under the provisions of OMB Circular A-133. Beginning for fiscal year ended December 31, 2015, 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*. 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 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.

FTS did not reach the threshold requiring a single audit for the year ended December 31, 2015.

6. SUBSEQUENT EVENTS

In preparing these financial statements, FTS has evaluated events and transactions for potential recognition or disclosure through October 31, 2016, the date the financial statements were issued.