

## **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2015**

**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, 2016, 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, 2016, 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' 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

July 14, 2017

**FREE THE SLAVES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2016**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

**ASSETS**

	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 553,156	\$ 950,328
Grants and pledges receivable	733,166	649,021
Partner advances	76,985	22,078
Other receivables	32,916	8,437
Inventory	29,137	30,199
Prepaid expenses	<u>15,469</u>	<u>22,780</u>
Total current assets	<u>1,440,829</u>	<u>1,682,843</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	9,834	15,041
Vehicles	41,500	-
Less: Accumulated depreciation and amortization	<u>(13,017)</u>	<u>(15,041)</u>
Net property and equipment	<u>38,317</u>	<u>-</u>
<b>NONCURRENT ASSETS</b>		
Grants and pledges receivable, net of current portion	907,951	-
Security deposit	<u>8,447</u>	<u>8,447</u>
Total noncurrent assets	<u>916,398</u>	<u>8,447</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,395,544</u></b>	<b><u>\$ 1,691,290</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 53,476	\$ 90,024
Deferred rent	<u>7,693</u>	<u>2,830</u>
Total current liabilities	<u>61,169</u>	<u>92,854</u>
<b>NONCURRENT LIABILITIES</b>		
Deferred rent	<u>92,321</u>	<u>100,014</u>
Total liabilities	<u>153,490</u>	<u>192,868</u>
<b>NET ASSETS</b>		
Unrestricted	297,827	559,624
Temporarily restricted	<u>1,944,227</u>	<u>938,798</u>
Total net assets	<u>2,242,054</u>	<u>1,498,422</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,395,544</u></b>	<b><u>\$ 1,691,290</u></b>

## FREE THE SLAVES, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 531,342	\$ 2,544,611	\$ 3,075,953	\$ 2,244,004
Government grants	641,842	-	641,842	487,766
In-kind contributions	96,323	-	96,323	366,664
Product sales and other income	16,671	-	16,671	22,198
Interest income	43	-	43	80
Net assets released from donor restrictions	<u>1,539,182</u>	<u>(1,539,182)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,825,403</u>	<u>1,005,429</u>	<u>3,830,832</u>	<u>3,120,712</u>
<b>EXPENSES</b>				
Program Services:				
Grassroots Anti-Slavery Programs:				
India	401,855	-	401,855	613,764
Nepal	219,513	-	219,513	272,693
Ghana	533,547	-	533,547	229,902
Democratic Republic of Congo	279,090	-	279,090	471,403
Haiti	137,586	-	137,586	177,285
Brazil	2,891	-	2,891	53,761
Senegal	66,574	-	66,574	-
Other	<u>46,902</u>	<u>-</u>	<u>46,902</u>	<u>137,886</u>
Total Grassroots Anti- Slavery Programs	1,687,958	-	1,687,958	1,956,694
Communications/Awareness Outreach	237,969	-	237,969	420,363
Research	155,277	-	155,277	119,481
Policy and Advocacy	<u>131,375</u>	<u>-</u>	<u>131,375</u>	<u>158,097</u>
Total program services	<u>2,212,579</u>	<u>-</u>	<u>2,212,579</u>	<u>2,654,635</u>
Supporting Services:				
Fundraising	367,151	-	367,151	311,141
Management and General	<u>507,470</u>	<u>-</u>	<u>507,470</u>	<u>431,601</u>
Total supporting services	<u>874,621</u>	<u>-</u>	<u>874,621</u>	<u>742,742</u>
Total expenses	<u>3,087,200</u>	<u>-</u>	<u>3,087,200</u>	<u>3,397,377</u>
Change in net assets	(261,797)	1,005,429	743,632	(276,665)
Net assets at beginning of year	<u>559,624</u>	<u>938,798</u>	<u>1,498,422</u>	<u>1,775,087</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 297,827</u></b>	<b><u>\$ 1,944,227</u></b>	<b><u>\$ 2,242,054</u></b>	<b><u>\$ 1,498,422</u></b>

## FREE THE SLAVES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	2016								
	Program Services								
	Grassroots Anti-Slavery Programs								
	India	Nepal	Ghana	Democratic Republic of Congo	Haiti	Brazil	Senegal	Other	Total Grassroots Anti-Slavery Programs
Personnel	\$ 130,847	\$ 52,543	\$ 211,735	\$ 131,848	\$ 53,309	\$ 2,495	\$ 31,522	\$ 28,451	\$ 642,750
Grants to partners	168,396	116,086	146,518	105,406	19,882	229	13,467	-	569,984
Professional services	40,637	34,623	72,398	6,125	47,620	-	7,139	2,121	210,663
Travel expenses	30,893	7,369	46,088	9,069	6,878	-	7,265	2,305	109,867
Occupancy	16,235	6,709	23,781	17,532	6,144	167	4,491	3,097	78,156
Depreciation	-	-	983	2,200	-	-	-	-	3,183
Technology and communication	1,149	532	6,426	2,182	1,208	-	1,507	3,938	16,942
Postage, printing and supplies	34	243	9,296	1,394	222	-	118	22	11,329
Meetings and events	-	180	1,311	1,122	200	-	37	45	2,895
Bank and merchant fees	2,212	729	1,513	3,214	604	-	150	1,112	9,534
Insurance	632	-	2,770	160	212	-	631	5,244	9,649
Training and staff development	(50)	(22)	85	209	(13)	-	154	126	489
Service fees	870	1,102	1,765	1,815	-	-	66	300	5,918
Subscriptions, publications and dues	-	40	4,648	-	-	-	-	-	4,688
Other expenses	10,000	(621)	4,230	(3,186)	1,320	-	27	141	11,911
Subtotal	401,855	219,513	533,547	279,090	137,586	2,891	66,574	46,902	1,687,958
Allocation of management and general	82,192	43,066	92,320	54,241	28,298	548	13,693	9,694	324,052
<b>TOTAL</b>	<b>\$ 484,047</b>	<b>\$ 262,579</b>	<b>\$ 625,867</b>	<b>\$ 333,331</b>	<b>\$ 165,884</b>	<b>\$ 3,439</b>	<b>\$ 80,267</b>	<b>\$ 56,596</b>	<b>\$ 2,012,010</b>

See accompanying notes to financial statements.

FREE THE SLAVES, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016 (Continued)							2015	
	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
Personnel	\$ 130,872	\$ 118,398	\$ 69,861	\$ 961,881	\$ 226,404	\$ 167,673	\$ 394,077	\$ 1,355,958	\$ 1,270,733
Grants to partners	-	-	-	569,984	-	-	-	569,984	768,912
Professional services	36,976	6,178	19,020	272,837	60,480	222,873	283,353	556,190	707,598
Travel expenses	1,291	7,763	17,616	136,537	13,668	13,795	27,463	164,000	239,171
Occupancy	14,995	16,272	11,228	120,651	38,601	16,118	54,719	175,370	191,357
Depreciation	-	-	-	3,183	-	-	-	3,183	-
Technology and communication	6,473	3,953	40	27,408	4,303	37,509	41,812	69,220	77,680
Postage, printing and supplies	9,365	938	408	22,040	5,926	10,908	16,834	38,874	37,809
Meetings and events	20	166	12,477	15,558	3,916	2,767	6,683	22,241	23,891
Bank and merchant fees	-	20	225	9,779	-	9,819	9,819	19,598	23,867
Insurance	-	1,171	-	10,820	399	12,432	12,831	23,651	18,933
Training and staff development	396	100	-	985	1,466	937	2,403	3,388	8,978
Service fees	-	-	-	5,918	-	4,777	4,777	10,695	7,476
Subscriptions, publications and dues	3,504	75	500	8,767	2,540	3,764	6,304	15,071	4,669
Other expenses	34,077	243	-	46,231	9,448	4,098	13,546	59,777	16,303
Subtotal	237,969	155,277	131,375	2,212,579	367,151	507,470	874,621	3,087,200	3,397,377
Allocation of management and general	48,945	31,937	27,021	431,955	75,515	(507,470)	(431,955)	-	-
<b>TOTAL</b>	<b>\$ 286,914</b>	<b>\$ 187,214</b>	<b>\$ 158,396</b>	<b>\$ 2,644,534</b>	<b>\$ 442,666</b>	<b>\$ -</b>	<b>\$ 442,666</b>	<b>\$ 3,087,200</b>	<b>\$ 3,397,377</b>

See accompanying notes to financial statements.



## FREE THE SLAVES, INC.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 743,632	\$ (276,665)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	3,183	-
(Increase) decrease in:		
Grants and pledges receivable	(992,096)	1,774
Partner advances	(54,907)	44,314
Other receivables	(24,479)	10,872
Inventory	1,062	201
Prepaid expenses	7,311	4,692
Increase (decrease) in:		
Accounts payable and accrued liabilities	(36,548)	51,554
Deferred rent	<u>(2,830)</u>	<u>45,209</u>
Net cash used by operating activities	<u>(355,672)</u>	<u>(118,049)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>(41,500)</u>	<u>-</u>
Net cash used by investing activities	<u>(41,500)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(397,172)	(118,049)
Cash and cash equivalents at beginning of year	<u>950,328</u>	<u>1,068,377</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 553,156</u></b>	<b><u>\$ 950,328</u></b>

**FREE THE SLAVES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**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.

**FREE THE SLAVES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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

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, 2015, 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, 2016, FTS had \$- 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.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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 year ended December 31, 2016, 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 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.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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.

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, 2016, the value of such in-kind contributions, which are included in revenue and expense, totaled \$96,323. The following programs have benefited from these donated services:

Communications/Awareness Outreach	\$ 32,054
Management and General	<u>64,269</u>
	<u>\$ 96,323</u>

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncement -

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), intended to improve financial reporting for not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year that the ASU is first applied. While the ASU will change the presentation of FTS' financial statements, it is not expected to alter FTS' reported financial position activities.

FTS has deferred implementation of these new accounting pronouncements until the required implementation dates.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31, 2016:

India	\$ 162,089
Nepal	140,000
Democratic Republic of Congo	42,860
Haiti	91,402
Policy and Advocacy	52,458
Research	41,053
Conferences	4,570
Development	97,945
General program	1,261,850
Time restrictions	<u>50,000</u>
	<b><u>\$ 1,944,227</u></b>

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

India	\$ 426,096
Nepal	247,237
Ghana	99,555
Democratic Republic of Congo	306,878
Haiti	167,135
Brazil	3,512
Conferences	102,701
Policy and Advocacy	56,906
Research	114,162
General program	<u>15,000</u>
	<b><u>\$ 1,539,182</u></b>

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.

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, 2016, the total deferred rent liability aggregated \$100,014.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

3. LEASE COMMITMENT (Continued)

Following is a schedule of the future minimum lease payments:

Year Ending December 31,

2017	\$ 180,599
2018	186,017
2019	191,597
2020	197,345
2021	203,259
Thereafter	<u>34,545</u>
	<u>\$ 993,362</u>

Occupancy expense for the year ended December 31, 2016 totaled \$175,369.

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, 2016.

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 an audit (as described above) for the year ended December 31, 2016.

6. SUBSEQUENT EVENTS

In preparing these financial statements, FTS has evaluated events and transactions for potential recognition or disclosure through July 14, 2017, the date the financial statements were issued.