

## **FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2016**

**FREE THE SLAVES, INC.**

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## 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, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2017, 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.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

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### **Report on Summarized Comparative Information**

We have previously audited FTS' 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2018 on our consideration of FTS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FTS' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

June 8, 2018

**FREE THE SLAVES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 366,550	\$ 553,156
Grants and pledges receivable	684,157	733,166
Partner advances	28,338	76,985
Other receivables	9,469	32,916
Inventory	25,666	29,137
Prepaid expenses	<u>1,987</u>	<u>15,469</u>
Total current assets	<u>1,116,167</u>	<u>1,440,829</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	9,834	9,834
Vehicles	<u>41,500</u>	<u>41,500</u>
	51,334	51,334
Less: Accumulated depreciation	<u>(21,317)</u>	<u>(13,017)</u>
Net property and equipment	<u>30,017</u>	<u>38,317</u>
<b>NONCURRENT ASSETS</b>		
Grants and pledges receivable, net of current portion and present value discount	587,122	907,951
Security deposit	<u>8,447</u>	<u>8,447</u>
Total noncurrent assets	<u>595,569</u>	<u>916,398</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,741,753</u></b>	<b><u>\$ 2,395,544</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 162,434	\$ 53,476
Deferred rent	<u>13,111</u>	<u>7,693</u>
Total current liabilities	<u>175,545</u>	<u>61,169</u>
<b>NONCURRENT LIABILITIES</b>		
Deferred rent, net of current portion	<u>79,211</u>	<u>92,321</u>
Total liabilities	<u>254,756</u>	<u>153,490</u>
<b>NET ASSETS</b>		
Unrestricted	120,154	297,827
Temporarily restricted	<u>1,366,843</u>	<u>1,944,227</u>
Total net assets	<u>1,486,997</u>	<u>2,242,054</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,741,753</u></b>	<b><u>\$ 2,395,544</u></b>

See accompanying notes to financial statements.

## FREE THE SLAVES, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 459,972	\$ 534,358	\$ 994,330	\$ 3,075,953
Government grants	1,320,756	-	1,320,756	641,842
In-kind contributions	156,908	-	156,908	96,323
Product sales and other income	16,818	-	16,818	16,671
Interest income	32	-	32	43
Net assets released from donor restrictions	1,111,742	(1,111,742)	-	-
Total support and revenue	<u>3,066,228</u>	<u>(577,384)</u>	<u>2,488,844</u>	<u>3,830,832</u>
<b>EXPENSES</b>				
Program Services:				
Grassroots Anti-Slavery Programs:				
India	259,750	-	259,750	401,855
Nepal	188,001	-	188,001	219,513
Ghana	549,998	-	549,998	533,547
Democratic Republic of Congo	302,733	-	302,733	279,090
Haiti	149,535	-	149,535	137,586
Brazil	-	-	-	2,891
Senegal	257,047	-	257,047	66,574
Other	59,658	-	59,658	46,902
Total Grassroots Anti- Slavery Programs	1,766,722	-	1,766,722	1,687,958
Communications/Awareness Outreach	305,708	-	305,708	237,969
Research	136,430	-	136,430	155,277
Policy and Advocacy	148,843	-	148,843	131,375
Total program services	<u>2,357,703</u>	<u>-</u>	<u>2,357,703</u>	<u>2,212,579</u>
Supporting Services:				
Fundraising	316,655	-	316,655	367,151
Management and General	569,543	-	569,543	507,470
Total supporting services	<u>886,198</u>	<u>-</u>	<u>886,198</u>	<u>874,621</u>
Total expenses	<u>3,243,901</u>	<u>-</u>	<u>3,243,901</u>	<u>3,087,200</u>
Change in net assets	(177,673)	(577,384)	(755,057)	743,632
Net assets at beginning of year	297,827	1,944,227	2,242,054	1,498,422
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 120,154</b>	<b>\$ 1,366,843</b>	<b>\$ 1,486,997</b>	<b>\$ 2,242,054</b>

See accompanying notes to financial statements.

## FREE THE SLAVES, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017							
	Program Services							
	Grassroots Anti-Slavery Programs							
	India	Nepal	Ghana	Democratic Republic of Congo	Haiti	Senegal	Other	Total Grassroots Anti-Slavery Programs
Personnel	\$ 87,801	\$ 117,232	\$ 179,827	\$ 151,317	\$ 69,327	\$ 99,081	\$ 7,404	\$ 711,989
Grants to partners	93,498	3,370	185,318	101,473	7,000	118,106	-	508,765
Professional services	27,532	25,087	57,319	6,332	48,912	18,317	39,643	223,142
Travel expenses	21,579	5,891	32,817	12,335	12,763	2,914	3,738	92,037
Occupancy	10,669	10,231	24,150	20,896	8,626	13,205	1,134	88,911
Depreciation	-	-	5,900	2,400	-	-	-	8,300
Technology and communication	1,263	462	10,377	1,277	1,133	958	5,076	20,546
Postage, printing and supplies	463	300	27,182	672	543	148	82	29,390
Meetings and events	4,462	10,367	7,394	571	-	833	-	23,627
Bank and merchant fees	1,311	365	2,637	3,308	420	267	-	8,308
Insurance	552	286	5,228	1,235	431	558	581	8,871
Training and staff development	769	-	416	7	250	1,649	-	3,091
Service fees	-	-	3,274	455	-	-	-	3,729
Subscriptions, publications and dues	-	-	571	-	-	-	-	571
Other expenses	9,851	14,410	7,588	455	130	1,011	2,000	35,445
Subtotal	259,750	188,001	549,998	302,733	149,535	257,047	59,658	1,766,722
Allocation of management and general	51,904	44,103	100,299	70,867	35,079	40,379	13,995	356,626
<b>TOTAL</b>	<b>\$ 311,654</b>	<b>\$ 232,104</b>	<b>\$ 650,297</b>	<b>\$ 373,600</b>	<b>\$ 184,614</b>	<b>\$ 297,426</b>	<b>\$ 73,653</b>	<b>\$ 2,123,348</b>

See accompanying notes to financial statements.

FREE THE SLAVES, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017 (Continued)							2016	
	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			
Personnel	\$ 103,167	\$ 67,653	\$ 64,752	\$ 947,561	\$ 185,427	\$ 298,747	\$ 484,174	\$ 1,431,735	\$ 1,355,958
Grants to partners	-	-	-	508,765	-	-	-	508,765	569,984
Professional services	41,501	54,795	43,476	362,914	62,296	133,759	196,055	558,969	556,190
Travel expenses	6,230	543	18,763	117,573	11,201	12,550	23,751	141,324	164,000
Occupancy	11,713	8,531	9,102	118,257	28,497	39,410	67,907	186,164	175,370
Depreciation	-	-	-	8,300	-	-	-	8,300	3,183
Technology and communication	7,964	3,869	62	32,441	5,448	27,987	33,435	65,876	69,220
Postage, printing and supplies	12,249	83	393	42,115	4,010	13,338	17,348	59,463	38,874
Meetings and events	34	-	6,485	30,146	8,700	2,800	11,500	41,646	22,241
Bank and merchant fees	-	-	175	8,483	13	9,279	9,292	17,775	19,598
Insurance	-	168	49	9,088	22	11,881	11,903	20,991	23,651
Training and staff development	399	796	-	4,286	1,095	270	1,365	5,651	3,388
Service fees	-	-	-	3,729	-	5,132	5,132	8,861	10,695
Subscriptions, publications and dues	2,550	-	500	3,621	2,150	1,514	3,664	7,285	15,071
Other expenses	119,901	(8)	5,086	160,424	7,796	12,876	20,672	181,096	59,777
Subtotal	305,708	136,430	148,843	2,357,703	316,655	569,543	886,198	3,243,901	3,087,200
Allocation of management and general	71,716	32,005	34,917	495,264	74,279	(569,543)	(495,264)	-	-
<b>TOTAL</b>	<b>\$ 377,424</b>	<b>\$ 168,435</b>	<b>\$ 183,760</b>	<b>\$ 2,852,967</b>	<b>\$ 390,934</b>	<b>\$ -</b>	<b>\$ 390,934</b>	<b>\$ 3,243,901</b>	<b>\$ 3,087,200</b>

See accompanying notes to financial statements.



## FREE THE SLAVES, INC.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (755,057)	\$ 743,632
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	8,300	3,183
Decrease (increase) in:		
Grants and pledges receivable	369,838	(992,096)
Partner advances	48,647	(54,907)
Other receivables	23,447	(24,479)
Inventory	3,471	1,062
Prepaid expenses	13,482	7,311
Increase (decrease) in:		
Accounts payable and accrued liabilities	108,958	(36,548)
Deferred rent	<u>(7,692)</u>	<u>(2,830)</u>
Net cash used by operating activities	<u>(186,606)</u>	<u>(355,672)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>-</u>	<u>(41,500)</u>
Net cash used by investing activities	<u>-</u>	<u>(41,500)</u>
Net decrease in cash and cash equivalents	(186,606)	(397,172)
Cash and cash equivalents at beginning of year	<u>553,156</u>	<u>950,328</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 366,550</u></b>	<b><u>\$ 553,156</u></b>

**FREE THE SLAVES, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

Free the Slaves, Inc. (FTS) is a non-profit, non-partisan organization, incorporated in the District of Columbia. FTS' mission is to end slavery worldwide.

Programs -

*Grassroots Anti-Slavery Programs* - FTS and its partner organizations use a community-based model to help communities resist forced and bonded labor and sex trafficking of adults and children in India, Nepal, Haiti, Senegal, Ghana and the Democratic Republic of the Congo. FTS provides the structure and training for collective action by slaves and former slaves to demand freedom, payment of wages, and protection from violence. FTS organizes leaders to educate their communities about slavery, to take action to rescue their family members and neighbors who are in slavery, and to work to develop new systems that address key vulnerabilities within the community. These vulnerabilities may include ensuring the availability of education for children, savings and loan projects for communities, or access to affordable health care and legal representation. FTS engages local, regional and national officials to press for enforcement and strengthening of anti-slavery laws. We support lawyers who press for justice for victims. FTS supports operation of shelters for survivors of trafficking and modern slavery. FTS educates and prepares people who are migrating abroad for work on ways to avoid the tricks of traffickers, and we educate children to prevent their enslavement later in life.

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

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

*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, 2017**

**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, 2016, 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, 2017, FTS had \$21,689 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.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

Uncertain tax positions -

For the year ended December 31, 2017, 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 -

During the year ended December 31, 2017, FTS adopted FASB ASU 2015-11 *Simplifying the Measurement of Inventory*, and as such, inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory. The ASU is applied prospectively.

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 donors. This funding is subject to contractual restrictions, which must be met through incurring qualifying direct and indirect expenses. Accordingly, such revenue is recorded as unrestricted income to the extent that related qualifying expenses are incurred in compliance with the criteria stipulated in the donor agreements.

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  
DECEMBER 31, 2017

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

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, 2017, the value of such in-kind contributions, which are included in revenue and expense, totaled \$156,908. The following programs have benefited from these donated services:

Communications/Awareness Outreach	\$ 120,303
Management and General	<u>36,605</u>
	<u>\$ 156,908</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.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. 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 Statement of Activities and Change 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 the ASU is first applied. While the ASU will change the presentation of FTS's financial statements, it is not expected to alter FTS's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. FTS has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

New accounting pronouncements (not yet adopted) (continued) -

FTS plans to adopt the new ASUs at the respective required implementation dates.

2. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following as of December 31, 2017:

India	\$	19,840
Nepal		50,000
Haiti		61,482
Research		12,226
Conferences		11,175
General program		1,187,120
Time restrictions		<u>25,000</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$</b>	<b><u>1,366,843</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	\$	169,673
Nepal		225,871
Democratic Republic of Congo		42,860
Haiti		179,920
Development		97,945
Conferences		88,396
Policy and Advocacy		82,459
Research		128,827
General program		70,791
Passage of Time		<u>25,000</u>
	<b>\$</b>	<b><u>1,111,742</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, 2017, the total deferred rent liability aggregated \$92,322.

FREE THE SLAVES, INC.

NOTES TO FINANCIAL STATEMENTS  
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3. LEASE COMMITMENT (Continued)

Following is a schedule of the future minimum lease payments:

Year Ending December 31,

2018	\$	186,017
2019		191,597
2020		197,345
2021		203,259
2022		<u>34,545</u>
	\$	<u><b>812,763</b></u>

Occupancy expense for the year ended December 31, 2017 totaled \$186,164.

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, 2017.

5. CONTINGENCY

FTS receives awards from various agencies of the United States Government, which 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.

During the year ended December 31, 2017, an audit in accordance with the applicable provisions has been completed (previous compliance examinations in accordance with OMB Circular A-133 were conducted for all applicable years, when required, through the year ended December 31, 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 June 8, 2018, the date the financial statements were issued.