



FREE THE SLAVES, INC.

**FINANCIAL STATEMENTS, SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS AND
INDEPENDENT AUDITORS' REPORTS**

For the Years Ended December 31, 2019 and 2018

**FREE THE SLAVES, INC.
Financial Statements**

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
Free the Slaves, Inc.
Washington, D.C.**

Report on the Financial Statements

We have audited the accompanying financial statements of Free the Slaves, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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.

Auditors' 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 auditors' 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 auditors consider 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 Free the Slaves, Inc. as of December 31, 2019, and the changes 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.

Prior Period Financial Statements

The financial statements of Free the Slaves, Inc. as of December 31, 2018, were audited by other auditors whose report dated August 26, 2019, expressed an unmodified opinion on those statements.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020 on our consideration of Free the Slaves, Inc.'s 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 Free the Slaves, Inc.'s internal control over financial reporting and compliance.

DeLeon and Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
October 23, 2020

FREE THE SLAVES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 723,007	\$ 560,817
Grants and pledges receivable, net of present value discount	435,988	475,778
Partner advances	83,868	97,618
Other receivables	28,843	11,981
Inventory	23,716	24,630
Prepaid expenses	7,047	11,377
Total Current Assets	1,302,469	1,182,201
<u>Property and Equipment:</u>		
Furniture and equipment	7,247	7,247
Vehicles	29,500	29,500
	36,747	36,747
Less: Accumulated depreciation	(25,930)	(20,030)
Net property and equipment	10,817	16,717
<u>Non-current Assets:</u>		
Grants and pledges receivable, net of current portion and present value discount	58,046	295,829
Security deposit	8,447	8,447
Total Non-current Assets	66,493	304,276
TOTAL ASSETS	\$ 1,379,779	\$ 1,503,194
LIABILITIES AND NET ASSETS		
<u>Current Liabilities:</u>		
Accounts payable and accrued liabilities	\$ 96,200	\$ 79,755
Amounts held for others	-	2,691
Refundable advances	39,840	-
Deferred rent	24,438	18,691
Total Current Liabilities	160,478	101,137
<u>Non-Current Liabilities:</u>		
Deferred rent, net of current portion	36,082	60,520
Total Liabilities	196,560	161,657
<u>Net Assets:</u>		
Net assets without donor restrictions	112,933	51,275
With donor restrictions	1,070,286	1,290,262
Total Net Assets	1,183,219	1,341,537
TOTAL LIABILITIES AND NET ASSETS	\$ 1,379,779	\$ 1,503,194

FREE THE SLAVES, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions and grants	\$ 675,829	\$ 519,943	\$ 1,195,772	\$ 394,192	\$ 884,688	\$ 1,278,880
Government grants	1,112,706	-	1,112,706	1,393,652	-	1,393,652
In-kind contributions	356,292	-	356,292	479,760	-	479,760
Product sales and other income	75,037	-	75,037	42,596	-	42,596
Interest income	2	-	2	2	-	2
Net assets released from donor restrictions	739,919	(739,919)	-	961,269	(961,269)	-
Total revenue and support	2,959,785	(219,976)	2,739,809	3,271,471	(76,581)	3,194,890
Expenses:						
Program services:						
Grassroots Anti-Slavery Program:						
India	354,827	-	354,827	273,040	-	273,040
Nepal	100,808	-	100,808	53,580	-	53,580
Ghana	715,550	-	715,550	570,004	-	570,004
Democratic Republic of Congo	8,821	-	8,821	228,043	-	228,043
Haiti	134,444	-	134,444	132,417	-	132,417
Senegal	112,690	-	112,690	196,039	-	196,039
Dominican Republic	115,068	-	115,068	61,581	-	61,581
Other	108,352	-	108,352	55,923	-	55,923
Total Grassroots anti-slavery programs	1,650,560	-	1,650,560	1,570,627	-	1,570,627
Communications/Awareness Outreach	227,217	-	227,217	294,950	-	294,950
Monitoring, Learning and Evaluation	63,551	-	63,551	83,927	-	83,927
Policy and Advocacy	193,940	-	193,940	406,469	-	406,469
Community Liberation Initiative	151,011	-	151,011	228,445	-	228,445
Total Program services	2,286,279	-	2,286,279	2,584,418	-	2,584,418
Supporting services:						
Fundraising	230,039	-	230,039	281,259	-	281,259
Management and General	381,809	-	381,809	474,673	-	474,673
Total supporting services	611,848	-	611,848	755,932	-	755,932
Total expenses	2,898,127	-	2,898,127	3,340,350	-	3,340,350
Change in net assets	61,658	(219,976)	(158,318)	(68,879)	(76,581)	(145,460)
Net assets, beginning of year	51,275	1,290,262	1,341,537	120,154	1,366,843	1,486,997
Net assets, end of year	\$ 112,933	\$ 1,070,286	\$ 1,183,219	\$ 51,275	\$ 1,290,262	\$ 1,341,537

FREE THE SLAVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

2019

Program Services

Grassroots Anti-Slavery Program

	India	Nepal	Ghana	Democratic Republic of Congo	Haiti	Senegal	Dominican Republic	Other	Total Grassroot Anti-Slavery Programs
Personnel	\$ 18,367	\$ 2,036	\$ 161,574	\$ 7,220	\$ 16,435	\$ 21,181	\$ 23,392	\$ 1,003	\$ 251,208
Grants to partners	166,256	31,045	259,209	-	13,810	25,227	-	-	495,547
Professional services	94,896	32,036	95,446	-	67,872	32,882	52,226	79,669	455,027
Travel expenses	12,370	15,765	33,728	-	2,344	4,274	4,365	29	72,875
Occupancy	4,503	441	23,947	-	7,971	4,019	7,751	8,106	56,738
Depreciation	-	-	5,900	-	-	-	-	-	5,900
Technology and communication	2,650	1,637	11,935	-	2,824	1,978	3,308	553	24,885
Postage, printing and supplies	536	133	9,877	-	-	19	1,878	-	12,443
Meetings and events	1,804	329	1,812	-	-	5,317	1,980	-	11,242
Bank and merchant fees	2,303	361	6,666	111	138	318	335	-	10,232
Insurance	308	-	845	-	-	-	-	-	1,153
Training and staff development	500	-	1,685	-	345	125	400	639	3,694
Service fees	-	-	-	-	-	-	-	-	-
Subscriptions, publications and dues	2	-	53	-	-	-	-	-	55
Other expenses	643	-	6,685	-	-	548	-	54	7,930
Subtotal	305,138	83,783	619,362	7,331	111,739	95,888	95,635	90,053	1,408,929
Allocation of management and general	49,689	17,025	96,188	1,490	22,705	16,802	19,433	18,299	241,631
TOTAL	\$ 354,827	\$ 100,808	\$ 715,550	\$ 8,821	\$ 134,444	\$ 112,690	\$ 115,068	\$ 108,352	\$ 1,650,560

See Accompanying Notes to Financial Statements
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FREE THE SLAVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

2019 (Continued)

	Program Services (Continued)				Supporting Services				
	Communications/ Awareness Outreach	Monitoring, Learning & Evaluation	Policy and Advocacy	Community Liberation Initiative	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Personnel	\$ 59,426	\$ 29,373	\$ 39,274	\$ 39,954	\$ 419,235	\$ 125,189	\$ 233,379	\$ 358,568	\$ 777,803
Grants to partners	-	-	-	-	495,547	-	-	-	495,547
Professional services	10,188	10,149	38,327	70,908	584,599	14,437	380,193	394,630	979,229
Travel expenses	1,687	-	50,322	(7,054)	117,830	1,299	16,451	17,750	135,580
Occupancy	14,009	11,067	8,443	11,208	101,465	34,143	60,640	94,783	196,248
Depreciation	-	-	-	-	5,900	-	-	-	5,900
Technology and communication	2,733	2,213	2,046	1,083	32,960	1,667	29,086	30,753	63,713
Postage, printing and supplies	286	16	713	1,508	14,966	1,523	6,547	8,070	23,036
Meetings and events	44	-	7,983	7,838	27,107	5,706	1,454	7,160	34,267
Bank and merchant fees	20	-	152	-	10,404	-	10,146	10,146	20,550
Insurance	-	-	40	-	1,193	-	15,950	15,950	17,143
Training and staff development	-	-	-	-	3,694	-	-	-	3,694
Service fees	-	-	-	-	-	-	5,760	5,760	5,760
Subscriptions, publications and dues	3,006	-	-	-	3,061	3,517	655	4,172	7,233
Other expenses	97,445	-	14,342	63	119,780	3,810	8,834	12,644	132,424
Subtotal	188,844	52,818	161,642	125,508	1,937,741	191,291	769,095	960,386	2,898,127
Allocation of management and general	38,373	10,733	32,298	25,503	348,538	38,748	(387,286)	(348,538)	-
TOTAL	\$ 227,217	\$ 63,551	\$ 193,940	\$ 151,011	\$ 2,286,279	\$ 230,039	\$ 381,809	\$ 611,848	\$ 2,898,127

See Accompanying Notes to Financial Statements
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FREE THE SLAVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

2018

Program Services

Grassroots Anti-Slavery Program

	India	Nepal	Ghana	Democratic Republic of Congo	Haiti	Senegal	Dominican Republic	Other	Total Grassroots Anti-Slavery Programs
Personnel	\$ 54,420	\$ 14,536	\$ 198,038	\$ 113,603	\$ 37,188	\$ 59,986	\$ 23,832	\$ 42,383	\$ 543,986
Grants to partners	102,744	5,000	265,564	72,958	11,930	63,229	-	-	521,425
Professional services	80,528	17,623	6,723	5,439	59,236	43,615	25,793	7,062	246,019
Travel expenses	24,679	237	31,954	11,717	12,777	13,345	4,315	2,413	101,437
Occupancy	5,655	1,033	28,771	13,495	9,617	10,912	4,162	2,798	76,443
Depreciation	-	-	5,900	2,400	-	-	-	-	8,300
Technology and communication	1,163	15	10,450	1,220	1,141	579	1,315	1,267	17,150
Postage , printing and supplies	352	12	4,275	579	-	970	249	-	6,437
Meetings and events	(1,428)	252	1,272	1,524	-	1,716	1,135	-	4,471
Bank and merchant fees	2,201	50	2,889	2,732	262	510	285	-	8,929
Insurance	125	-	1,240	85	126	135	96	-	1,807
Training and staff development	794	-	1,669	490	-	419	399	-	3,771
Service fees	-	-	-	40	-	-	-	-	40
Subscriptions, publications and dues	-	-	13	-	-	-	-	-	13
Other expenses	1,807	14,822	11,246	1,761	140	623	-	-	30,399
Subtotal	273,040	53,580	570,004	228,043	132,417	196,039	61,581	55,923	1,570,627
Allocation of management and general	40,019	9,775	72,394	41,602	24,157	29,030	11,234	10,202	238,413
TOTAL	\$ 313,059	\$ 63,355	\$ 642,398	\$ 269,645	\$ 156,574	\$ 225,069	\$ 72,815	\$ 66,125	\$ 1,809,040

See Accompanying Notes to Financial Statements
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FREE THE SLAVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

2018 (Continued)

	Program Services (Continued)					Supporting Services			
	Communications/ Awareness Outreach	Monitoring, Learning & Evaluation	Policy and Advocacy	Community Liberation Initiative	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Personnel	\$ 110,819	\$ 9,369	\$ 64,399	\$ 54,004	\$ 782,577	\$ 125,707	\$ 191,177	\$ 316,884	\$ 1,099,461
Grants to partners	-	-	-	-	521,425	-	-	-	521,425
Professional services	49,508	65,245	216,374	106,041	683,187	95,747	140,188	235,935	919,122
Travel expenses	756	1,241	57,101	24,534	185,069	11,014	5,036	16,050	201,119
Occupancy	17,688	1,854	13,487	8,127	117,599	25,751	52,432	78,183	195,782
Depreciation	-	-	-	-	8,300	-	-	-	8,300
Technology and communication	6,889	5,410	525	3,500	33,474	5,354	32,966	38,320	71,794
Postage , printing and supplies	2,862	235	1,097	3,286	13,917	2,248	11,143	13,391	27,308
Meetings and events	-	-	22,333	21,570	48,374	3,939	3,215	7,154	55,528
Bank and merchant fees	-	-	356	75	9,360	25	12,239	12,264	21,624
Insurance	-	573	-	322	2,702	328	17,585	17,913	20,615
Training and staff development	-	-	-	399	4,170	335	90	425	4,595
Service fees	-	-	-	53	93	-	5,186	5,186	5,279
Subscriptions, publications and dues	3,457	-	400	-	3,870	3,557	1,320	4,877	8,747
Other expenses	102,971	-	30,397	6,534	170,301	7,254	2,096	9,350	179,651
Subtotal	294,950	83,927	406,469	228,445	2,584,418	281,259	474,673	755,932	3,340,350
Allocation of management and general	53,808	15,311	74,153	41,676	423,361	51,312	(474,673)	(423,361)	-
TOTAL	\$ 348,758	\$ 99,238	\$ 480,622	\$ 270,121	\$ 3,007,779	\$ 332,571	\$ -	\$ 332,571	\$ 3,340,350

See Accompanying Notes to Financial Statements
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FREE THE SLAVES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (158,318)	\$ (145,460)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,900	8,300
Loss on disposal of fixed assets	-	1,000
Decrease (increase) in:		
Grants and pledges receivable	277,573	499,672
Partner advances	13,750	(69,280)
Other receivables	(16,862)	(2,512)
Inventory	914	1,036
Prepaid expenses	4,330	(9,390)
Accounts payable and accrued liabilities	16,445	(82,679)
Amounts held for others	(2,691)	2,691
Refundable advances	39,840	-
Deferred rent	(18,691)	(13,111)
Net cash provided by operating activities	162,190	190,267
<u>Cash Flows From Investing Activities:</u>		
Proceeds from sale of fixed assets	-	4,000
Net cash provided by investing activities	-	4,000
Net increase in cash and cash equivalents	162,190	194,267
Cash and cash equivalents, beginning of year	560,817	366,550
Cash and cash equivalents, end of year	\$ 723,007	\$ 560,817

FREE THE SLAVES, INC.
Notes to the Financial Statements
December 31, 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION.

Organization-

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

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.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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

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

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

Basis of presentation –

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*.

New pronouncement –

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The adoption of this ASU did not have a material impact on FTS' revenue recognition.

Cash and cash equivalents –

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

FTS maintains its cash balances at three financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. FTS has uninsured balances of \$369,486 as of December 31, 2019 at one of its financial institutions. FTS has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

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

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 are 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 years ended December 31, 2019 and 2018, 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 (Continued)
December 31, 2019 and 2018

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

Inventory -

Inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.

Net Assets With Donor Restrictions - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Revenue recognition -

Contributions and grants are recognized as revenue when they are received or unconditionally pledged. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Grants received from the federal government are recognized as revenue only to the extent of expenditures incurred.

FTS receives awards under grants and contracts from the U.S. and foreign governments, international organizations and other sources for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such awards are recorded as revenue "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Grant funding received under grants and contracts from the U.S. and foreign governments, international organizations and other sources for direct and indirect program costs in advance of incurring the related expenses is recorded as refundable advances.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

NOTE 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 years ended December 31, 2019 and 2018, the value of such in-kind contributions, which are included in revenue and expense, totaled \$356,292 and \$479,760, respectively. The following programs have benefited from these donated services:

	2019	2018
Communications/Awareness Outreach	\$ 96,006	\$ 124,687
Research	-	44,300
Policy and Advocacy	-	227,984
Programs Other	78,611	-
Fundraising	-	21,900
Management and General	181,675	60,889
	<u>\$ 356,292</u>	<u>\$ 479,760</u>

Functional allocation of expenses –

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of FTS are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

NOTE 2 PLEDGES RECEIVABLE

Included in grants and pledges receivable on the Statements of Net Position as of December 31, 2019 and 2018, are unconditional promises to give as follows:

	<u>2019</u>	<u>2018</u>
Unconditional promises to give	\$ 390,000	\$ 600,000
Less: Unamortized discount	<u>(6,125)</u>	<u>(4,171)</u>
Net unconditional promises to give	<u>\$ 383,875</u>	<u>\$ 595,829</u>
Receivable in less than one year	\$ 325,829	\$ 300,000
Receivable in one to five years	<u>58,046</u>	<u>295,829</u>
	<u>\$ 383,875</u>	<u>\$ 595,829</u>

NOTE 3 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2019:

	<u>January 1, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31, 2019</u>
Program restrictions:				
India	\$ 24,942	\$ 11,240	\$ (33,902)	\$ 2,280
Nepal	100,676	-	(75,411)	25,265
Haiti	96,291	98,533	(140,591)	54,233
Ghana	-	-	-	-
Senegal	-	19,600	(19,600)	-
Policy and advocacy	19,035	50,000	(58,354)	10,681
Research	12,226	63,551	(63,551)	12,226
Conferences	36,532	140,000	(108,262)	68,270
Development	230	-	-	230
Community Liberation Initiative	-	137,019	(137,019)	-
General program	<u>1,000,330</u>	<u>-</u>	<u>(103,229)</u>	<u>897,101</u>
	<u>\$ 1,290,262</u>	<u>\$ 519,943</u>	<u>\$ (739,919)</u>	<u>\$ 1,070,286</u>

Net assets with donor restrictions consisted of the following at December 31, 2018:

	<u>January 1, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31, 2018</u>
Program restrictions:				
India	\$ 19,840	\$ 15,001	\$ (9,899)	\$ 24,942
Nepal	50,000	100,000	(49,324)	100,676
Haiti	61,482	189,000	(154,191)	96,291
Policy and advocacy	-	50,000	(30,965)	19,035
Research	12,226	-	-	12,226
Conferences	11,175	199,979	(174,622)	36,532
Development	-	1,000	(770)	230
General program	1,187,120	329,708	(516,498)	1,000,330
Timing restrictions accomplished	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>
	<u>\$ 1,366,843</u>	<u>\$ 884,688</u>	<u>\$ (961,269)</u>	<u>\$ 1,290,262</u>

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

NOTE 4 LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 723,007	\$ 560,817
Grants and pledges receivable	435,988	475,778
Partner advances	83,868	97,618
Other receivables	<u>28,843</u>	<u>11,981</u>
Subtotal - financial assets available within one year	1,271,706	1,146,194
Less: Donor restricted funds	<u>(1,070,286)</u>	<u>(1,290,262)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 201,420</u>	<u>\$ (144,068)</u>

FTS is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, FTS must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of FTS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 5 LEASE COMMITMENT

FTS leases office space under a 91-month agreement, which is set to expire on March 31, 2022. The lease agreement provides for a five-month rental holiday and an abatement of 50% of the minimum rent for the subsequent four months. Beginning February 1, 2015, base rent shall be \$14,046 per month, plus a proportionate share of expenses, increasing by a factor of 3% annually. 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, 2019 and 2018, the total deferred rent liability aggregated \$60,520 and \$79,211, respectively.

2020	\$ 197,345
2021	203,259
2022	<u>34,545</u>
	<u>\$ 435,149</u>

Occupancy expense for the years ended December 31, 2019 and 2018 totaled \$196,248 and \$195,782, respectively.

FREE THE SLAVES, INC.
Notes to Financial Statements (Continued)
December 31, 2019 and 2018

NOTE 5 **LEASE COMMITMENT** (Continued)

FTS subleases a portion of its office space under various leases expiring in March 2020. Effective April 1, 2020 the sublet became a month to month lease. The following is a schedule of the future minimum rental income:

2020 \$ 11,862

Rental income for the years ended December 31, 2019 and 2018 was \$48,840 and \$25,281, respectively and is included in other income on the Statements of Activities.

NOTE 6 **RETIREMENT PLAN**

FTS adopted an IRS 403(b) plan (the Plan) covering all eligible employees. Under the provisions of the Plan, an eligible employee may defer up to the IRS limit applicable to each calendar year. At its discretion, FTS may make matching contributions or elective contributions. Participants are 100% vested in all contributions to the Plan. FTS did not make any contributions to the Plan during the years ended December 31, 2019 and 2018.

NOTE 7 **CONTINGENCY**

FTS receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2019. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

NOTE 8 **SUBSEQUENT EVENTS**

Subsequent to year end, U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. The potential impacts on the Organization's revenues, expenses and cash flows cannot be determined at this time. All subsequent events have been evaluated through October 23, 2020, which is the date the financial statements were available to be issued.

During April 2020, the Organization applied for a loan through the Small Business Administration's Payroll Protection Program. The loan is designed to provide a direct incentive for small businesses to keep their workers on payroll through the coronavirus pandemic. The Organization's application was approved and funds were received in the amount of \$123,0000 as of the date of these issued financial statements.

FREE THE SLAVES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

<u>Federal Granting Agency and Program Title</u>	<u>Pass-Through Entity</u>	<u>Pass-Through Entity Identifying Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
United States Department of State					
International Programs to Combat Human Trafficking:					
Growing up Free: An Effective Response to Child Trafficking in Ghana	N/A	N/A	19.019	\$ 640,201	\$ 290,544
Activating the Bonded Labour System Abolition Act - India	N/A	N/A	19.019	274,026	137,877
Countering Trafficking in Persons in the D.R.: Multisector Response and Local Resilience within Targeted Vulnerable Communities	International Association of Women Judges	S-STJIP-18-GR-0011	19.019	<u>107,920</u>	<u>-</u>
			Subtotal CFDA 19.019	<u>1,022,147</u>	<u>428,421</u>
International Programs to Support Democracy, Human Rights and Labor:					
Combating Slavery in Senegal	N/A	N/A	19.345	<u>90,559</u>	<u>25,227</u>
Total Expenditures of Federal Awards				<u>\$ 1,112,706</u>	<u>\$ 453,648</u>

FREE THE SLAVES, INC.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

NOTE 1- BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of the Free the Slaves, Inc. under programs of the Federal government and is presented on the accrual basis of accounting for the year ended December 31, 2019. The information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The Schedule presents only a selected portion of the operations of FTS; accordingly, it is not intended to and does not present the financial position, changes in net assets or cash flows of FTS.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3- DE MINIMIS INDIRECT COST RATE

FTS has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

FREE THE SLAVES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2019

Section I - Summary of Auditors' Results

Financial Statements

1). Type of auditors' report issued	UNMODIFIED
2). Internal control over financial reporting:	
Material weaknesses identified?	NO
Significant deficiencies identified that are not considered to be material weaknesses?	NO
3). Noncompliance material to the financial statements noted?	NO

Federal Awards

4). Internal control over major programs:	
Material weaknesses identified?	NO
Significant deficiencies identified that are not considered to be material weaknesses?	NO
5). Type of auditors' report issued on compliance for major programs	UNMODIFIED
6). Any findings disclosed that are required to be reported in accordance with the Uniform Guidance	NO

<u>Federal Granting Agency and Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
7). Identification of major programs:		
International Programs to Combat Human Trafficking	19.019	\$ 1,022,147
8). Dollar threshold used to distinguish between Type A and B programs:		\$ 750,000
9). Auditee qualified to be low-risk auditee?		NO

FREE THE SLAVES, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

Section II – Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

FREE THE SLAVES, INC.
Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2019

Section II – Financial Statement Findings

Finding 2018 – 001: Nepal Field Office (Asset and Liability Reconciliation)

Condition: The predecessor audit disclosed that FTS’s Nepal local office activity (for the current year) was not properly recorded (or reconciled) at the time of fieldwork. Additionally, management was unable to provide bank statements or remaining financial activities subsequent to May 31, 2018.

Recommendation: The prior auditors recommend that FTS research its subsequent activity and properly close all Nepal bank accounts if no further programmatic activity is expected to be transacted in the upcoming fiscal year.

Status: We acknowledged this during the audit and took the necessary actions to deal with that. To that end, Nepal, like all other countries were required to submit monthly activities report which we incorporate into our accounting system. Additionally, activities supported by federal grants were withdrawn for the Nepal office for 2019 in wind down activities there.

Section III - Federal Award Findings and Questioned Costs

Finding 2018 – 002: Schedule of Expenditures of Federal Awards

Condition: During the predecessor audit, there was significant difficulty in obtaining a Schedule of Expenditures of Federal Awards (SEFA) with a reconciliation to Federal support/revenue (as reported in the Statement of Activities). The SEFA was not accurately completed at year-end.

Recommendation: It is management’s responsibility to prepare its SEFA, which contains all required information and appropriately summarizes all Federal expense activity during any given fiscal year. Therefore, the prior auditors recommend FTS prepare its SEFA on a quarterly basis. It should be prepared by the appropriate accounting personnel, then reviewed and approved by an individual in a supervisory capacity; the SEFA should also be prepared in accordance with the regulations under *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

Status: We resolved this by providing the SEFA to auditors at the beginning of fieldwork, which was prepared by a newly hired contracted CPA, whom helped close the books for calendar year 2019.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors of
Free the Slaves, Inc.
Washington, DC

We have audited, in accordance with the 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, the financial statements of Free the Slaves, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Free the Slaves, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Free the Slaves, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Free the Slaves, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Free the Slaves, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DeLeon and Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
October 23, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors of
Free the Slaves, Inc.
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited Free the Slaves, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Free the Slaves, Inc.'s major federal programs for the year ended December 31, 2019. Free the Slaves, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Free the Slaves, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Free the Slaves, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Free the Slaves, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Free the Slaves, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Free the Slaves, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Free the Slaves, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Free the Slaves, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DeLeon and Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
October 23, 2020