

**LABORATORY TO COMBAT  
HUMAN TRAFFICKING**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

TOGETHER WITH INDEPENDENT ACCOUNTANTS'  
REVIEW REPORT

**LABORATORY TO COMBAT HUMAN TRAFFICKING**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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May 23, 2019

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors  
Laboratory to Combat Human Trafficking  
Denver, Colorado

We have reviewed the accompanying financial statements of **Laboratory to Combat Human Trafficking** (a Colorado nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

***Accountants' Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

***Accountants' Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We previously reviewed Laboratory to Combat Human Trafficking's 2017 financial statements and in our report dated November 30, 2018, stated that based on our review, we were not aware of any material modifications that should be made to the 2017 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2017, for it to be consistent with the reviewed financial statements from which it has been derived.

*Taylor, Roth and Company PLLC*

TAYLOR, ROTH AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

**LABORATORY TO COMBAT HUMAN TRAFFICKING**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018

(WITH COMPARATIVE TOTALS FROM 2017)

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 266,746	\$ 176,926
Contracts receivable	2,952	2,193
Grant receivable (Note 3)	112,500	75,000
Prepaid expenses	2,465	1,540
Total assets	<u>\$ 384,663</u>	<u>\$ 255,659</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 764	\$ 1,954
Accrued payroll costs	12,288	10,505
Commitments (Note 4)		-
Total liabilities	<u>13,052</u>	<u>12,459</u>
<u>Net assets</u>		
Without donor restrictions	323,204	183,213
With donor restrictions (Note 5)	48,407	59,987
Total net assets	<u>371,611</u>	<u>243,200</u>
Total liabilities and net assets	<u>\$ 384,663</u>	<u>\$ 255,659</u>

See accompanying notes and independent accountants' review report

**LABORATORY TO COMBAT HUMAN TRAFFICKING**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Private grants	\$ 280,584	\$ 47,057	\$ 327,641	180,455
Individual and board contributions	80,436	-	80,436	83,546
Government grants	37,161	-	37,161	13,277
Workplace giving	20,843	-	20,843	11,528
Trainings and honorariums	14,006	-	14,006	845
Corporate support	11,273	-	11,273	15,169
Rent income	10,039	-	10,039	13,803
Interest income	1,008	-	1,008	353
Other	-	-	-	252
In-kind donations	-	-	-	588
Net assets released from restrictions (Note 6)	58,637	(58,637)	-	-
Total revenue and other support	<u>513,987</u>	<u>(11,580)</u>	<u>502,407</u>	<u>319,816</u>
<u>Expenses</u>				
Program services	303,455	-	303,455	239,855
Supporting services				
Management and general	40,921	-	40,921	21,370
Fundraising	29,620	-	29,620	16,124
Total expense	<u>373,996</u>	<u>-</u>	<u>373,996</u>	<u>277,349</u>
Change in net assets	139,991	(11,580)	128,411	42,467
Net assets, beginning of year	<u>183,213</u>	<u>59,987</u>	<u>243,200</u>	<u>200,733</u>
Net assets, end of year	<u>\$ 323,204</u>	<u>\$ 48,407</u>	<u>\$ 371,611</u>	<u>\$ 243,200</u>

See accompanying notes and independent accountants' review report

**LABORATORY TO COMBAT HUMAN TRAFFICKING**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017	
	<u>Supporting Services</u>				
	Program	Management	Fund-	Total	Total
	Services	And General	raising		
Salaries	\$ 200,069	\$ 17,149	\$ 11,432	\$ 228,650	\$ 175,555
Payroll taxes and benefits	31,924	2,736	1,825	36,485	21,138
Occupancy	15,105	4,316	2,157	21,578	25,231
Research	17,150	-	-	17,150	-
Accounting fees	-	12,168	-	12,168	7,039
Marketing	5,939	371	1,114	7,424	4,260
Training and leadership development	6,725	-	-	6,725	3,725
Travel	5,848	501	334	6,683	5,116
Indirect fundraising	-	-	6,247	6,247	4,728
Computers and software	5,235	449	299	5,983	1,365
Grant writer	-	-	5,666	5,666	7,000
Hotline	3,125	-	-	3,125	2,351
Food and beverage	2,666	421	-	3,087	1,684
Printing	2,414	207	138	2,759	835
Conference and meetings	2,388	265	-	2,653	2,054
Staff development	1,009	672	-	1,681	1,372
Bank fees	634	793	159	1,586	1,355
Telephone	1,373	118	78	1,569	1,652
Insurance	846	73	48	967	886
Membership dues	630	53	17	700	370
Office supplies	93	326	46	465	395
Postage	64	80	15	159	118
IT services	40	-	-	40	7,344
Student work study	-	-	-	-	1,727
Other	178	223	45	446	49
<b>Total expenses</b>	<b>\$ 303,455</b>	<b>\$ 40,921</b>	<b>\$ 29,620</b>	<b>\$ 373,996</b>	<b>\$ 277,349</b>

See accompanying notes and independent accountants' review report

**LABORATORY TO COMBAT HUMAN TRAFFICKING**

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(WITH COMPARATIVE TOTALS FROM 2017)

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 128,411	\$ 42,467
Adjustments to reconcile change in net assets to net cash provided by operating activities		
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in donations receivable	(760)	(2,194)
(Increase)decrease in grants receivable	(37,500)	(25,000)
(Increase)decrease in prepaid expenses	(925)	(612)
Increase(decrease) in accounts payable	(1,190)	(2,673)
Increase(decrease) in payroll accruals	1,783	7,331
Net cash provided(used) by operating activities	<u>89,820</u>	<u>19,319</u>
Net increase(decrease) in cash and cash equivalents	89,820	19,319
Cash and cash equivalents, beginning of year	<u>176,926</u>	<u>157,607</u>
Cash and cash equivalents, end of year	<u>\$ 266,746</u>	<u>\$ 176,926</u>

See accompanying notes and independent accountants' review report

## **LABORATORY TO COMBAT HUMAN TRAFFICKING**

### **NOTES TO FINANCIAL STATEMENTS** **FOR THE YEAR ENDED DECEMBER 31, 2018**

#### **NOTE 1 - DESCRIPTION OF THE ORGANIZATION**

Laboratory to Combat Human Trafficking (the Organization) was founded in 2005 and became an independent 501(c)(3) in 2009. The Organization is a nonprofit corporation founded under the laws of the State of Colorado. The Organization's mission is driven by a vision to end human trafficking, a severe form of exploitation. They hold the belief that community-led solutions form the pathway to eliminating human exploitation. Towards that end, the Organization:

- Conducts research that contributes data-driven insights to the anti-trafficking movement and advances a comprehensive response.
- Equips human rights leaders and survivors with the knowledge, skills and professional development opportunities necessary to elevate their voices within the anti-trafficking movement.
- Supports professional groups and diverse community audiences across Colorado with the knowledge to better understand, recognize and react to instances of human trafficking.
- Hosts a hotline and resource directory that increases access to services for individuals experiencing trafficking.

Since its founding, the Organization has trained over 27,000 professionals and community members; conducted four major research projects to drive action; assumed administration of the statewide 24/7 human trafficking hotline; and supported 150 interns as future human rights leaders.

The Organization is supported primarily by foundation awards and individual and board donations.

#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES**

##### **1. Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

2. Basis of Presentation

The financial statements of Laboratory to Combat Human Trafficking have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

3. Cash and Cash Equivalents

Cash and cash equivalents are considered to be all unrestricted highly liquid investments with an initial maturity of three months or less.

4. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulation regarding how long the contributed asset must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

5. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment of \$2,500 or more. The fair value of donated assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. At year-end, the Organization has no capitalized property and equipment.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

7. Income Taxes

The Organization is exempt from Federal and State income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

8. Functional Reporting of Expenses

For the year ended December 31, 2018, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocations are determined by management on a rational and systematic basis. Salaries and benefits are allocated on a time and effort basis. Occupancy is allocated on a square footage basis. All other expenses are allocated on a time and effort basis.

9. Summarized Prior-Year Information

The financial statements include certain prior-period 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 the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

10. Subsequent Events

Management has evaluated subsequent events through May 23, 2019, the date the report was available for distribution.

11. New Accounting Pronouncement

On August 18, 2016, The Financial Accounting Standards Board issued ASU 2016-14, Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses net asset classification, information about liquidity, information provided about expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 3 - GRANT RECEIVABLE CONCENTRATION

Grant receivable consists of one foundation award. Management has evaluated this award and does not believe an allowance for doubtful accounts is needed and that any present value discount would be immaterial to these financial statements. The award is expected to be received as follows:

<u>Year</u>	<u>Amount</u>
2019	<u>\$ 112,500</u>

NOTE 4 - COMMITMENTS

The Organization leases program and office space in Denver, Colorado. Future lease obligation payments under the agreement are as follows:

<u>Year</u>	<u>Amount</u>
2019	<u>\$ 9,855</u>

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following program purposes:

<u>Description</u>	<u>Amount</u>
Child welfare training	\$ 27,057
Health training	11,350
Hotline and resource directory	<u>10,000</u>
Total	<u>\$ 48,407</u>

NOTE 6 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the restricted program purposes:

<u>Description</u>	<u>Amount</u>
Child welfare training	\$ 20,000
Health training	19,323
Colorado court appointed special advocates	9,122
Program specialist	7,652
Resident Leaders in Leadership Development Program	<u>2,540</u>
Total	<u>\$ 58,637</u>

NOTE 7 - CONCENTRATION OF FUNDING SOURCE

During the year, the Organization received \$162,500 or about 32% of its funding from one foundation. The Organization is dependent on that funding to continue delivering services at the current level. Management and the board of directors are aware of this situation and continue their efforts to further diversify funding sources.

NOTE 8 - CONCENTRATION OF CASH

The Organization keeps its cash in two financial institutions. As of year-end, the cash balance of \$256,675 in one of these institutions exceeds the \$250,000 National Credit Union Share Insurance Fund (NCUSIF) limit. Management has evaluated its banking needs and the strength of the financial institution and feels it is in the best long-term interest of the organization to continue its existing banking relationships.

NOTE 9 - AVAILABILITY AND LIQUIDITY

The following represents Laboratory to Combat Human Trafficking's financial assets at December 31, 2018:

<u>Financial assets at year-end:</u>	<u>Amount</u>
Cash and cash equivalents	\$ 266,746
Accounts receivable	2,952
Grant receivable	<u>112,500</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 382,198</u>

The Organization's goal is generally to maintain financial assets to meet at least nine months of operating expenses. Management considers donor restricted contributions that will be used within one year as part of its ordinary operations, as being available for general expenditures.