

**LABORATORY TO COMBAT  
HUMAN TRAFFICKING**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**LABORATORY TO COMBAT HUMAN TRAFFICKING**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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May 19, 2020

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Laboratory to Combat Human Trafficking  
Denver, Colorado

We have audited 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, 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatements 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 includes evaluating the appropriateness of accounting policies used and 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 Laboratory to Combat Human Trafficking as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended, in conformity 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 2018 financial statements and in our report dated May 23, 2019, stated that based on our review, we were not aware of any material modifications that should be made to the 2018 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, 2018, for it to be consistent with the reviewed financial statements from which it has been derived.

*Taylor R Roth and Company P/C*  
TAYLOR, ROTH AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS  
Denver, Colorado

**LABORATORY TO COMBAT HUMAN TRAFFICKING**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FROM 2018)

	<u>Audited</u> 2019	<u>Reviewed</u> 2018
<u>Assets</u>		
Cash and cash equivalents	\$ 329,316	\$ 266,746
Contracts receivable	17,878	2,952
Donation receivable	11,000	-
Grant receivable (Note 3)	100,000	112,500
Prepaid expenses	1,125	2,465
Property and equipment (Note 4)	5,290	-
Total assets	<u>\$ 464,609</u>	<u>\$ 384,663</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 1,050	\$ 764
Accrued payroll costs	13,819	12,288
Commitments (Note 5)	-	-
Total liabilities	<u>14,869</u>	<u>13,052</u>
<u>Net assets</u>		
Without donor restrictions	398,296	323,204
With donor restrictions (Note 6)	<u>51,444</u>	<u>48,407</u>
Total net assets	<u>449,740</u>	<u>371,611</u>
Total liabilities and net assets	<u>\$ 464,609</u>	<u>\$ 384,663</u>

The accompanying notes are an integral part of these financial statements

**LABORATORY TO COMBAT HUMAN TRAFFICKING**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	Audited 2019			Reviewed 2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Private grants	236,377	\$ 73,500	\$ 309,877	327,641
Individual and board contributions	118,493	15,000	133,493	80,436
Government grants	97,670	-	97,670	37,161
Workplace giving	17,447	-	17,447	20,843
Trainings and honorariums	11,612	-	11,612	14,006
Corporate support	5,246	-	5,246	11,273
Interest income	2,631	-	2,631	1,008
Rent income	-	-	-	10,039
Net assets released from restrictions (Note 7)	85,463	(85,463)	-	-
Total revenue and other support	<u>574,939</u>	<u>3,037</u>	<u>577,976</u>	<u>502,407</u>
<u>Expenses</u>				
Program services	391,589	-	391,589	303,455
Supporting services				
Management and general	43,946	-	43,946	40,921
Fundraising	64,312	-	64,312	29,620
Total expense	<u>499,847</u>	<u>-</u>	<u>499,847</u>	<u>373,996</u>
Change in net assets	75,092	3,037	78,129	128,411
Net assets, beginning of year	<u>323,204</u>	<u>48,407</u>	<u>371,611</u>	<u>243,200</u>
Net assets, end of year	<u>\$ 398,296</u>	<u>\$ 51,444</u>	<u>\$ 449,740</u>	<u>\$ 371,611</u>

The accompanying notes are an integral part of these financial statements

**LABORATORY TO COMBAT HUMAN TRAFFICKING**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FOR 2018)

	Audited 2019			Reviewed 2018	
	<u>Supporting Services</u>				
	Management				
	Program Services	And General	Fund- raising	Total	Total
Salaries	\$ 262,795	\$ 15,459	\$ 30,916	\$ 309,170	\$ 228,650
Payroll taxes and benefits	37,687	2,217	4,434	44,338	36,485
Hotline	27,424	-	-	27,424	3,125
Accounting fees	-	16,247	-	16,247	12,168
Grant writer	-	-	16,000	16,000	5,666
Marketing	12,270	767	2,301	15,338	7,424
Occupancy	11,123	3,178	1,589	15,890	21,578
Travel	10,351	-	-	10,351	6,683
Research	10,075	-	-	10,075	17,150
Indirect fundraising	-	-	8,067	8,067	6,247
Stipends	4,579	-	-	4,579	-
Telephone	3,030	260	173	3,463	1,569
Conference and meetings	2,520	280	-	2,800	2,653
Food and beverage	809	1,752	134	2,695	3,087
Insurance	2,030	174	116	2,320	967
Computers and software	1,985	170	114	2,269	5,983
Printing	1,965	168	113	2,246	2,759
Staff development	1,054	703	-	1,757	1,681
Bank fees	345	1,207	172	1,724	1,586
Office supplies	156	1,251	157	1,564	465
Membership dues	546	46	15	607	700
Speaker honoraria	550	-	-	550	-
Postage	45	56	11	112	159
Training and leadership development	250	-	-	250	6,725
IT services	-	-	-	-	40
Other	-	11	-	11	446
<b>Total expenses</b>	<b>\$ 391,589</b>	<b>\$ 43,946</b>	<b>\$ 64,312</b>	<b>\$ 499,847</b>	<b>\$ 373,996</b>

The accompanying notes are an integral part of these financial statements

**LABORATORY TO COMBAT HUMAN TRAFFICKING**

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(WITH COMPARATIVE TOTALS FROM 2018)

	<u>Audited</u> 2019	<u>Reviewed</u> 2018
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 78,129	\$ 128,411
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 contracts receivable	(14,926)	(759)
(Increase)decrease in donations receivable	(11,000)	-
(Increase)decrease in grants receivable	12,500	(37,500)
(Increase)decrease in prepaid expenses	1,340	(925)
Increase(decrease) in accounts payable	286	(1,190)
Increase(decrease) in payroll accruals	1,531	1,783
Net cash provided(used) by operating activities	<u>67,860</u>	<u>89,820</u>
<u>Cash flows from investing activities</u>		
(Purchases) of fixed assets	<u>(5,290)</u>	<u>-</u>
Net cash provided(used) by investing activities	<u>(5,290)</u>	<u>-</u>
Net increase(decrease) in cash and cash equivalents	62,570	89,820
Cash and cash equivalents, beginning of year	<u>266,746</u>	<u>176,926</u>
Cash and cash equivalents, end of year	<u>\$ 329,316</u>	<u>\$ 266,746</u>

The accompanying notes are an integral part of these financial statements

## **LABORATORY TO COMBAT HUMAN TRAFFICKING**

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

#### 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.

##### 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.

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

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.

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.

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. Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received; conditional promises to give with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend have been met.

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.

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, 2019, 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.

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

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, 2018, from which the summarized information was derived.

10. Subsequent Events

Management has evaluated subsequent events through May 19, 2020, the date the report was available for distribution.

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. The award is expected to be received as follows:

<u>Year</u>	<u>Amount</u>
2020	<u>\$ 100,000</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Year</u>	<u>Amount</u>
Website development in process	<u>\$ 5,290</u>

Depreciation expense during the year was \$0.

NOTE 5 - 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>
2020	<u>\$ 11,250</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

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

<u>Description</u>	<u>Amount</u>
Hotline and resource directory	\$ 20,546
Research position	15,000
Health training	10,898
Leadership program	<u>5,000</u>
Total	<u>\$ 51,444</u>

NOTE 7 - 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>
Health training	\$ 50,452
Child welfare training	27,057
Hotline and resource directory	<u>7,954</u>
Total	<u>\$ 85,463</u>

NOTE 8 - CONCENTRATION OF CASH

The Organization keeps its cash in two financial institutions. As of year-end, the cash balance of \$323,128 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 - IN-KIND CONTRIBUTIONS

The Organization receives donated non-expert level services that are not recorded in the financial statements, as they do not meet the criteria to be recorded. In-kind donations were received as follows:

Hotline Advocates – Colorado’s human trafficking hotline was supported by 46 volunteers in 2019. Each advocate receives 55 hours of training, attends quarterly briefings, and supports at least one weekly shift to make the hotline and resource directory accessible to the community 24/7.

Leadership development program interns – The Organization had 13 interns participate in the Leadership Development Program in 2019 over three total sessions. Each intern volunteered a minimum of 150 hours supporting various aspects of the Organization’s operations including development, communications, trainings and education, and the hotline.

NOTE 10 - AVAILABILITY AND LIQUIDITY

The following represents Laboratory to Combat Human Trafficking's financial assets at December 31, 2019:

<u>Financial assets at year-end:</u>	<u>Amount</u>
Cash and cash equivalents	\$ 329,316
Contracts, donations and grant receivable	<u>128,878</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 458,194</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.

NOTE 11 - SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closing of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operations. However, the related financial impact and duration cannot be reasonably estimated at this time.