

**LABORATORY TO COMBAT
HUMAN TRAFFICKING**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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July 2, 2021

INDEPENDENT AUDITORS' REPORT

Board of Directors
Laboratory to Combat Human Trafficking
Denver, Colorado

Opinion

We have audited the accompanying financial statements of the **Laboratory to Combat Human Trafficking** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Laboratory to Combat Human Trafficking as of December 31, 2020, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Laboratory to Combat Human Trafficking and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Laboratory to Combat Human Trafficking's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Laboratory to Combat Human Trafficking's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We previously audited the Laboratory to Combat Human Trafficking's 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor 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, 2020
(WITH COMPARATIVE TOTALS FROM 2019)

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 434,050	\$ 329,316
Contracts receivable	11,269	17,878
Donation receivable	1,000	11,000
Grant receivable (Note 3)	120,000	100,000
Prepaid expenses	1,125	1,125
Property and equipment (Note 4)	12,388	5,290
Total assets	<u>\$ 579,832</u>	<u>\$ 464,609</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 712	\$ 1,050
Accrued payroll costs	25,497	13,819
Commitments (Note 5)	-	-
Total liabilities	<u>26,209</u>	<u>14,869</u>
<u>Net assets</u>		
Without donor restrictions	507,373	398,296
With donor restrictions (Note 6)	46,250	51,444
Total net assets	<u>553,623</u>	<u>449,740</u>
Total liabilities and net assets	<u>\$ 579,832</u>	<u>\$ 464,609</u>

The accompanying notes are an integral part of these financial statements

LABORATORY TO COMBAT HUMAN TRAFFICKING

STATEMENT OF ACTIVITIES
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FROM 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Private grants	297,244	\$ 30,000	\$ 327,244	309,877
Individual and board contributions	137,222	-	137,222	133,493
Government grants	71,951	-	71,951	97,670
Loan forgiveness (Note 7)	70,174	-	70,174	-
Workplace giving	20,551	-	20,551	17,447
Trainings and honorariums	2,591	-	2,591	11,612
Interest income	2,396	-	2,396	2,631
Corporate support	2,181	-	2,181	5,246
In-kind donations (Note 8)	1,000	-	1,000	-
Net assets released from restrictions (Note 9)	35,194	(35,194)	-	-
Total revenue and other support	640,504	(5,194)	635,310	577,976
<u>Expenses</u>				
Program services	409,768	-	409,768	391,589
Supporting services				
Management and general	47,567	-	47,567	43,946
Fundraising	74,092	-	74,092	64,312
Total expense	531,427	-	531,427	499,847
Change in net assets	109,077	(5,194)	103,883	78,129
Net assets, beginning of year	398,296	51,444	449,740	371,611
Net assets, end of year	\$ 507,373	\$ 46,250	\$ 553,623	\$ 449,740

The accompanying notes are an integral part of these financial statements

LABORATORY TO COMBAT HUMAN TRAFFICKING

STATEMENT OF FUNCTIONAL EXPENSES

DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS FROM 2019)

	2020			2019	
	Supporting Services				
	Program Services	Management And General	Fund- raising	Total	Total
Salaries	\$ 299,181	\$ 17,599	\$ 35,198	\$ 351,978	\$ 309,170
Payroll taxes and benefits	42,925	2,525	5,050	50,500	44,338
Accounting fees	-	18,929	-	18,929	16,247
Grant writer	-	-	18,500	18,500	16,000
Occupancy	10,221	2,920	1,460	14,601	15,890
Hotline	12,578	-	-	12,578	27,424
Indirect fundraising	-	-	11,204	11,204	8,067
Marketing	8,569	536	1,606	10,711	15,338
Contract services	9,398	-	-	9,398	-
Stipends	5,316	-	-	5,316	4,579
Computers and software	4,607	395	263	5,265	2,269
Telephone	3,371	289	192	3,852	3,463
Insurance	1,976	169	113	2,258	2,320
Travel	2,192	-	-	2,192	10,351
Staff development	1,281	854	-	2,135	1,757
Credit card fees	409	1,431	204	2,044	1,724
Printing	1,049	90	60	1,199	2,246
Conference and meetings	928	103	-	1,031	2,800
Food and beverage	271	587	45	903	2,695
Membership dues	797	66	22	885	607
Speaker honoraria	850	-	-	850	550
Office supplies	77	613	76	766	1,564
Training and leadership development	520	-	-	520	250
IT services	487	-	-	487	-
Postage	183	229	45	457	112
Research	-	-	-	-	10,075
Other	-	150	-	150	11
	407,186	47,485	74,038	528,709	499,847
Depreciation	2,582	82	54	2,718	-
Total expenses	\$ 409,768	\$ 47,567	\$ 74,092	\$ 531,427	\$ 499,847

The accompanying notes are an integral part of these financial statements

LABORATORY TO COMBAT HUMAN TRAFFICKING

STATEMENT OF CASH FLOWS

DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS FROM 2019)

	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 103,883	\$ 78,129
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,718	-
 <u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contracts receivable	6,609	(14,926)
(Increase)decrease in donations receivable	10,000	(11,000)
(Increase)decrease in grants receivable	(20,000)	12,500
(Increase)decrease in prepaid expenses	-	1,340
Increase(decrease) in accounts payable	(338)	286
Increase(decrease) in payroll accruals	11,678	1,531
	<u>114,550</u>	<u>67,860</u>
Net cash provided(used) by operating activities		
 <u>Cash flows from investing activities</u>		
(Purchases) of fixed assets	<u>(9,816)</u>	<u>(5,290)</u>
Net cash provided(used) by investing activities	<u>(9,816)</u>	<u>(5,290)</u>
 Net increase(decrease) in cash and cash equivalents	104,734	62,570
 Cash and cash equivalents, beginning of year	<u>329,316</u>	<u>266,746</u>
Cash and cash equivalents, end of year	<u><u>\$ 434,050</u></u>	<u><u>\$ 329,316</u></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, 2020

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, text line and resource directory that increases access to services for individuals experiencing trafficking.

Since its founding, the Organization has trained over 35,000 professionals and community members; conducted four major research projects to drive action; assumed administration of the statewide 24/7 human trafficking hotline; and supported 180 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.

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, 2020, 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, 2019, from which the summarized information was derived.

10. Subsequent Events

Management has evaluated subsequent events through July 2, 2021, 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>
2021	\$ 80,000
2022	<u>40,000</u>
Total	<u>\$ 120,000</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Year</u>	<u>Amount</u>
Website	\$ 15,106
Accumulated depreciation	<u>(2,718)</u>
Total	<u>\$ 12,388</u>

Depreciation expense during the year was \$ 2,718.

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>
2021	<u>\$ 11,588</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>
Research position	\$ 15,000
Health training	15,000
Capacity building	10,000
Hotline and resource directory	5,000
Leadership program	<u>1,250</u>
Total	<u>\$ 46,250</u>

NOTE 7 - LOAN FORGIVENESS INCOME - PAYROLL PROTECTION PROGRAM

On May 4, 2020, the Organization borrowed \$70,174 under the Payroll Protection Program (PPP). Congress established the PPP to provide relief to small businesses during the COVID-19 pandemic as part of the \$2 trillion Coronavirus Aid, Relief, And Economic Security (CARES) Act. The loans and accrued interest are forgivable after eight weeks and up to 24 weeks, as long as the borrower uses the loan proceeds for eligible purposes. The Organization has used the funds in accordance with the note, provided necessary support and the note was forgiven on December 28, 2020. The full loan amount from the Paycheck Protection Program is recorded as a contribution in this fiscal year.

NOTE 8 - IN-KIND CONTRIBUTIONS

Donated goods and services are reflected in the accompanying financial statements at their estimated values at date of receipt.

<u>Year</u>	<u>Amount</u>
Accounting	<u>\$ 1,000</u>

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 70 volunteers in 2020. 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 2020 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 9 - 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>
Hotline and resource directory	\$ 20,546
Health training	10,898
Leadership program	<u>3,750</u>
Total	<u>\$ 35,194</u>

NOTE 10 - CONCENTRATION OF CASH

The Organization keeps its cash in two financial institutions. As of year-end, the cash balance of approximately \$426,000 in one of these institutions exceeds the \$250,000 National Credit Union Share Insurance Fund (NCUSIF) limit.

NOTE 11 - AVAILABILITY AND LIQUIDITY

The following represents Laboratory to Combat Human Trafficking's financial assets at December 31, 2020:

<u>Financial assets at year-end:</u>	<u>Amount</u>
Cash and cash equivalents	\$ 434,050
Contracts, donations and grant receivable	<u>132,269</u>
	566,319
Less amounts not available for general expenditures	
Grant receivable expected to be received in 2022	<u>(40,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 526,319</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.