

**LABORATORY TO COMBAT  
HUMAN TRAFFICKING**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

**LABORATORY TO COMBAT HUMAN TRAFFICKING**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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July 5, 2022

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, 2021, 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, 2021, 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise doubt about Laboratory to Combat Human Trafficking's ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

### ***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 2020 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Taylor Roth and Company PLLC*

TAYLOR, ROTH AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS  
DENVER, COLORADO

**LABORATORY TO COMBAT HUMAN TRAFFICKING**

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2021  
(WITH COMPARATIVE TOTALS FROM 2020)

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 716,928	\$ 434,050
Grants receivable (Note 3)	145,084	120,000
Contracts receivable	33,364	11,269
Donation receivable	8,951	1,000
Prepaid expenses	1,194	1,125
Property and equipment (Note 4)	17,363	12,388
Total assets	<u>\$ 922,884</u>	<u>\$ 579,832</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 1,192	\$ 712
Accrued payroll costs	20,588	25,497
Commitments (Note 5)		
Total liabilities	<u>21,780</u>	<u>26,209</u>
<u>Net assets</u>		
Without donor restrictions	762,334	507,373
With donor restrictions (Note 6)	138,770	46,250
Total net assets	<u>901,104</u>	<u>553,623</u>
Total liabilities and net assets	<u>\$ 922,884</u>	<u>\$ 579,832</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, 2021  
(WITH COMPARATIVE TOTALS FROM 2020)

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Private grants	\$ 243,578	\$ 194,983	\$ 438,561	\$ 327,244
Individual and board contributions	201,180	-	201,180	137,222
Government grants	180,558	-	180,558	71,951
Loan forgiveness (Note 7)	70,970	-	70,970	70,174
Workplace giving	28,970	-	28,970	20,551
Corporate support	9,100	5,000	14,100	2,181
Trainings and honorariums	3,237	-	3,237	2,591
Interest income	2,180	-	2,180	2,396
In-kind donations	-	-	-	1,000
Net assets released from restrictions (Note 8)	107,463	(107,463)	-	-
Total revenue and other support	<u>847,236</u>	<u>92,520</u>	<u>939,756</u>	<u>635,310</u>
<u>Expenses</u>				
Program services	452,579	-	452,579	409,768
Supporting services				
Management and general	55,026	-	55,026	47,567
Fundraising	84,670	-	84,670	74,092
Total expense	<u>592,275</u>	<u>-</u>	<u>592,275</u>	<u>531,427</u>
Change in net assets	254,961	92,520	347,481	103,883
Net assets, beginning of year	<u>507,373</u>	<u>46,250</u>	<u>553,623</u>	<u>449,740</u>
Net assets, end of year	<u>\$ 762,334</u>	<u>\$ 138,770</u>	<u>\$ 901,104</u>	<u>\$ 553,623</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, 2021  
(WITH COMPARATIVE TOTALS FROM 2020)

	2021			2020	
	Supporting Services				
	Management				
	Program	And	Fund-	Total	Total
	Services	General	raising		
Salaries	\$279,824	\$ 16,460	\$ 32,921	\$ 329,205	\$ 351,978
Payroll taxes and benefits	48,987	2,882	5,763	57,632	50,500
Research	27,600	-	-	27,600	-
Indirect fundraising	-	-	24,221	24,221	11,204
Accounting fees	-	23,312	-	23,312	18,929
Occupancy	16,157	4,616	2,308	23,081	14,601
Evaluation services	21,770	-	-	21,770	5,316
Grant writer	-	-	17,000	17,000	18,500
Telephone	12,207	1,046	698	13,951	3,852
IT services	11,468	-	-	11,468	487
Training and leadership development	7,124	-	-	7,124	1,370
Computers and software	5,205	446	298	5,949	5,265
Travel	4,846	-	-	4,846	2,192
Marketing	3,445	215	646	4,306	10,711
Credit card fees	681	2,382	340	3,403	2,044
Staff development	1,804	1,202	-	3,006	2,135
Insurance	2,148	184	123	2,455	2,258
Membership dues	1,657	138	46	1,841	885
Food and beverage	473	1,024	79	1,576	903
Conference and meetings	1,400	155	-	1,555	1,031
Office supplies	91	728	91	910	766
Contract services	-	-	-	-	9,398
Other	909	85	35	1,029	14,384
	447,796	54,875	84,569	587,240	528,709
Depreciation	4,783	151	101	5,035	2,718
Total expenses	\$452,579	\$ 55,026	\$ 84,670	\$ 592,275	\$ 531,427

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, 2021 (WITH COMPARATIVE TOTALS FROM 2020)

	<u>2021</u>	<u>2020</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 347,481	\$ 103,883
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,035	2,718
 <u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contracts receivable	(22,095)	6,609
(Increase)decrease in donations receivable	(7,951)	10,000
(Increase)decrease in grants receivable	(25,084)	(20,000)
(Increase)decrease in prepaid expenses	(69)	-
Increase(decrease) in accounts payable	480	(338)
Increase(decrease) in payroll accruals	(4,909)	11,678
 Net cash provided(used) by operating activities	<u>292,888</u>	<u>114,550</u>
 <u>Cash flows from investing activities</u>		
(Purchases) of fixed assets	<u>(10,010)</u>	<u>(9,816)</u>
 Net cash provided(used) by investing activities	<u>(10,010)</u>	<u>(9,816)</u>
 Net increase(decrease) in cash and cash equivalents	282,878	104,734
 Cash and cash equivalents, beginning of year	<u>434,050</u>	<u>329,316</u>
Cash and cash equivalents, end of year	<u>\$ 716,928</u>	<u>\$ 434,050</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, 2021

#### NOTE 1 - NATURE OF ACTIVITIES

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 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 respond 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 private grants, individual and board contributions, and government grants.

#### 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 (US GAAP) 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, 2021, 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, 2020, from which the summarized information was derived.

10. Subsequent Events

Management has evaluated subsequent events through July 5, 2022, the date the report was available for distribution.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable consists of three foundation awards all of which were collected in the first quarter of 2022. Management has evaluated these awards and does not believe an allowance for doubtful accounts is necessary and any present value discount would be immaterial to these financial statements.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Year</u>	<u>Amount</u>
Website	\$ 25,116
Less: accumulated depreciation	<u>(7,753)</u>
Total	<u>\$ 17,363</u>

Depreciation expense during the year was \$ 5,035.

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>
2022	<u>\$ 11,935</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>
Training and education	\$ 90,240
Research	43,750
Hotline and resource directory	3,680
Health training	<u>1,100</u>
Total	<u>\$ 138,770</u>

NOTE 7 - LOAN FORGIVENESS INCOME

On March 9, 2021, the Organization borrowed \$70,970 under the Paycheck 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 November 23, 2021. The full loan amount from the Paycheck Protection Program is recorded as a contribution in this fiscal year.

NOTE 8 - 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>
Training and education	\$ 36,010
Health training	28,900
Research position	15,000
Hotline and resource directory	13,820
Capacity building	10,000
Child welfare	2,483
Leadership program	<u>1,250</u>
Total	<u>\$ 107,463</u>

NOTE 9 - AVAILABILITY AND LIQUIDITY

The following represents Laboratory to Combat Human Trafficking's financial assets at December 31, 2021:

<u>Financial assets at year-end:</u>	<u>Amount</u>
Cash and cash equivalents	\$ 716,928
Contracts, donations, and grants receivable	<u>187,399</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 904,327</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 10 - 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 contributions were received as follows:

Hotline Advocates – Colorado's human trafficking hotline was supported by 64 volunteers in 2021. Each advocate receives 55 hours of training, attends quarterly briefings, and supports at least one monthly shift to make the hotline and resource directory accessible to the community 24/7.

Leadership development program interns – The Organization had 15 interns participate in the Leadership Development Program in 2021 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 11 - CONCENTRATION OF CREDIT RISK

The Organization places all of its cash with one financial institution. As of year-end, the cash balance of approximately \$710,000 at this institution exceeds the \$250,000 Federal Deposit Insurance Corporation (FDIC) limit. Management and the Board have evaluated their banking needs and the strength of the financial institution and feels it is in the best interest of the Organization to continue its existing relationship.