

**LABORATORY TO COMBAT
HUMAN TRAFFICKING**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

LABORATORY TO COMBAT HUMAN TRAFFICKING
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

May 24, 2023

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, 2022, 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, 2022, 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 2021 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 5, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
<u>Assets</u>		
Cash and cash equivalents	\$ 1,237,832	\$ 716,928
Grants receivable	-	145,084
Contracts receivable	67,196	33,364
Donations receivable	20,987	8,951
Prepaid expenses	11,194	1,194
Beneficial interest in assets held by others (Note 3)	40,187	-
Property and equipment (Note 4)	29,842	17,363
Total assets	\$ 1,407,238	\$ 922,884
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 6,294	\$ 1,192
Accrued payroll costs	32,246	20,588
Commitments (Note 5)		
Total liabilities	38,540	21,780
<u>Net assets</u>		
Without donor restrictions	1,163,010	762,334
Board designated endowment (Note 3)	40,187	-
With donor restrictions (Note 6)	165,501	138,770
Total net assets	1,368,698	901,104
Total liabilities and net assets	\$ 1,407,238	\$ 922,884

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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>		<u>2021</u>	
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
<u>Revenue and other support</u>				
Private grants	\$ 665,751	\$ 185,000	\$ 850,751	\$ 438,561
Individual and board contributions	178,916	-	178,916	201,180
Government grants	167,815	-	167,815	180,558
Workplace giving	36,080	-	36,080	28,970
Corporate support	14,425	-	14,425	14,100
Interest income	9,272	-	9,272	2,180
Trainings and honorariums	5,425	-	5,425	3,237
Investment income	187	-	187	-
Loan forgiveness	-	-	-	70,970
In-kind donations (Note 7)	1,000	-	1,000	-
Net assets released from restrictions (Note 8)	158,269	(158,269)	-	-
Total revenue and other support	<u>1,237,140</u>	<u>26,731</u>	<u>1,263,871</u>	<u>939,756</u>
<u>Expenses</u>				
Program services	635,129	-	635,129	452,579
Supporting services				
Management and general	64,620	-	64,620	55,026
Fundraising	96,528	-	96,528	84,670
Total expense	<u>796,277</u>	<u>-</u>	<u>796,277</u>	<u>592,275</u>
Change in net assets	440,863	26,731	467,594	347,481
Net assets, beginning of year	<u>762,334</u>	<u>138,770</u>	<u>901,104</u>	<u>553,623</u>
Net assets, end of year	<u>\$ 1,203,197</u>	<u>\$ 165,501</u>	<u>\$ 1,368,698</u>	<u>\$ 901,104</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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021	
	Supporting Services				
	Management				
	Program	And	Fund-	Total	Total
	Services	General	raising		
Salaries	\$369,750	\$ 21,750	\$ 43,500	\$ 435,000	\$ 329,205
Payroll taxes and benefit	59,675	3,510	7,021	70,206	57,632
Research	45,443	-	-	45,443	27,600
Marketing	24,346	1,522	4,565	30,433	4,306
IT services	25,959	-	-	25,959	11,468
Accounting fees	-	24,829	-	24,829	23,312
Indirect fundraising	-	-	23,553	23,553	24,221
Evaluation services	23,256	-	-	23,256	21,770
Telephone	14,004	1,201	800	16,005	13,951
Occupancy	10,101	2,886	1,443	14,430	23,081
Grant writer	-	-	14,200	14,200	17,000
Training and leadership development	13,613	-	-	13,613	7,124
Travel	13,035	-	-	13,035	4,846
Computers and software	7,635	655	436	8,726	5,949
Conferences and meetings	5,180	575	-	5,755	1,555
Staff development	2,968	1,978	-	4,946	3,006
Food and beverage	3,721	1,100	-	4,821	1,576
Printing	3,666	314	210	4,190	519
Credit card fees	645	2,258	323	3,226	3,403
Scholarships	3,000	-	-	3,000	-
Insurance	2,214	189	127	2,530	2,455
Office supplies	182	1,458	182	1,822	910
Membership dues	933	78	26	1,037	1,841
Other	492	149	30	671	510
	629,818	64,452	96,416	790,686	587,240
Amortization	5,311	168	112	5,591	5,035
Total expenses	\$635,129	\$ 64,620	\$ 96,528	\$ 796,277	\$ 592,275

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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 467,594	\$ 347,481
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization	5,591	5,035
Net(gains)losses on endowment	(187)	-
 <u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contracts receivable	(33,832)	(22,095)
(Increase)decrease in donations receivable	(12,036)	(7,951)
(Increase)decrease in grants receivable	145,084	(25,084)
(Increase)decrease in prepaid expenses	(10,000)	(69)
Increase(decrease) in accounts payable	5,102	480
Increase(decrease) in payroll accruals	11,658	(4,909)
	578,974	292,888
 <u>Cash flows from investing activities</u>		
Purchase of investments	(40,000)	-
Purchase of fixed assets	(18,070)	(10,010)
	(58,070)	(10,010)
 Net cash provided(used) by investing activities		
	520,904	282,878
 Cash and cash equivalents, beginning of year	716,928	434,050
Cash and cash equivalents, end of year	\$ 1,237,832	\$ 716,928

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, 2022

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

Since its founding, the Organization has trained over 53,000 professionals and community members; conducted four major research projects to drive action; assumed administration of the statewide 24/7 human trafficking hotline; and supported 200 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, 2022, 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. Fair Value Measurements

The Organization follows the provision of the Fair Value Measurements and Disclosures Topic of FASB ASC, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3). In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

10. 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, 2021, from which the summarized information was derived.

11. Subsequent Events

Management has evaluated subsequent events through May 24, 2023, the date the report was available for distribution.

NOTE 3 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization established an endowment fund in 2022 through the Rose Community Foundation (the Foundation) to support the mission and programming of the Organization. Under the terms of the endowment, the contributions are held in perpetuity and the Organization may take an annual distribution of up to 5%. Distributions are calculated by the Foundation annually in January. The Organization may request distributions at anytime during the year from February through December. Any distributions remaining at the end of December will be returned to the fund principal and a new distribution amount will be calculated in January of the new year.

The assets in the endowment fund are managed by the Foundation and invested in accordance with the Foundation's asset allocation. The returns are based upon the Foundation's returns for investments. Changes in the endowment fund balances (Level 3 inputs) during the year are as follows:

<u>Description</u>	<u>Amount</u>
Balance, beginning of year	\$ -
Additions	40,000
Unrealized and realized gains(losses)	239
Administrative expenses	(52)
Net return	<u>187</u>
Balance, end of year	<u>\$ 40,187</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Website	\$ 43,186
Less: accumulated amortization	<u>(13,344)</u>
Net property and equipment	<u>\$ 29,842</u>

Amortization expense during the year was \$ 5,591.

NOTE 5 - COMMITMENTS

The Organization signed a 12-month lease for program and office space in Denver, Colorado. Future lease obligation payments under the agreement are as follows:

<u>Year</u>	<u>Amount</u>
2023	<u>\$ 12,293</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	\$ 91,721
Research	56,250
Hotline and resource directory	<u>17,530</u>
Total	<u>\$ 165,501</u>

NOTE 7 - IN-KIND CONTRIBUTIONS

Donated professional services are reflected in the accompanying financial statements at their estimated value at date of receipt. In-kind contributions reflected in the financial statements for the year consisted of \$1,000 in donated accounting services utilized in supporting services for the Organization.

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 non-expert level services were received as follows:

Hotline Advocates – Colorado’s human trafficking hotline was supported by 51 volunteers in 2022 who donated 21,153 hours valued at \$666,530. 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.

NOTE 7 - IN-KIND CONTRIBUTIONS (concluded)

Leadership development program interns – The Organization had 15 interns participate in the Leadership Development Program in 2022 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 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	\$ 74,619
Research	70,000
Hotline and resource directory	13,650
Total	<u>\$ 158,269</u>

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Organization places all of its cash with one financial institution. As of year-end, the cash balance of approximately \$1,244,575 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.

NOTE 10 - AVAILABILITY AND LIQUIDITY

The following represents Laboratory to Combat Human Trafficking’s financial assets at December 31, 2022:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 1,237,832
Contracts and donations receivable	88,183
Total	<u>\$ 1,326,015</u>

The Organization’s goal is generally to maintain financial assets to meet at least six 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.