

**LABORATORY TO COMBAT
HUMAN TRAFFICKING**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

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TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

June 26, 2025

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, 2024, 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, 2024, 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 2023 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 27, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, 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, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

	2024	2023
<u>Assets</u>		
Cash and cash equivalents	\$ 781,740	\$ 957,368
Contracts receivable	21,602	55,912
Grants receivable (Note 4)	50,000	-
Donations receivable	17,017	16,500
Short-term investments (Note 5)	268,164	256,229
Prepaid expenses	1,266	2,265
Beneficial interest in assets held by others (Note 6)	59,326	54,644
Property and equipment (Note 7)	8,804	18,164
Total assets	\$ 1,207,919	\$ 1,361,082
 <u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 6,176	\$ 5,600
Accrued payroll costs	49,569	46,151
Commitments (Note 8)		
Total liabilities	55,745	51,751
 <u>Net assets</u>		
<u>Without donor restrictions</u>		
Undesignated	1,005,364	1,119,060
Endowment (Note 6)	59,326	54,644
	1,064,690	1,173,704
<u>With donor restrictions (Note 9)</u>	87,484	135,627
Total net assets	1,152,174	1,309,331
Total liabilities and net assets	\$ 1,207,919	\$ 1,361,082

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, 2024 (WITH COMPARATIVE TOTALS FOR 2023)

	2024		2023	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Private grants	\$ 170,555	\$ 230,000	\$ 400,555	\$ 469,566
Government grants	179,537	94,500	274,037	214,879
Individual and board contributions	117,673	-	117,673	208,842
Special event	56,632	-	56,632	-
Less: special event direct expenses	(16,574)	-	(16,574)	-
Interest income	49,722	-	49,722	33,473
Workplace giving	32,446	-	32,446	15,745
Corporate support	5,980	-	5,980	5,255
Trainings and honorariums	4,233	-	4,233	2,840
Net assets released from restrictions (Note 10)	372,643	(372,643)	-	-
Total revenue and other support	972,847	(48,143)	924,704	950,600
<u>Expenses</u>				
Program services	869,844	-	869,844	807,281
Supporting services				
Management and general	128,257	-	128,257	89,785
Fundraising	83,760	-	83,760	112,901
Total expense	1,081,861	-	1,081,861	1,009,967
Change in net assets	(109,014)	(48,143)	(157,157)	(59,367)
Net assets, beginning of year	1,173,704	135,627	1,309,331	1,368,698
Net assets, end of year	\$ 1,064,690	\$ 87,484	\$ 1,152,174	\$ 1,309,331

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, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

	2024			2023	
	Supporting Services				
	Programs	Management and General	Fund- raising	Total	Total
Salaries	\$ 490,904	\$ 68,676	\$ 29,470	\$ 589,050	\$ 531,940
Payroll taxes and benefits	92,466	12,934	5,551	110,951	88,268
Marketing and outreach	46,107	765	22,908	69,780	95,651
Research	54,637	-	-	54,637	61,244
Accounting fees	-	37,815	-	37,815	35,173
Evaluation services	25,450	-	-	25,450	12,490
IT services	21,909	279	99	22,287	23,705
Telecomm and internet services	20,491	574	202	21,267	16,470
Occupancy	17,163	1,556	549	19,268	16,010
Staff and board development	16,873	1,425	503	18,801	9,978
Travel	17,591	128	45	17,764	16,595
Direct fundraising	-	-	16,574	16,574	-
Technology and software	12,791	758	268	13,817	13,342
Grant writer	-	-	13,000	13,000	13,000
Subcontractor services	9,717	934	329	10,980	5,922
Indirect fundraising	-	-	9,984	9,984	19,031
Credit card processing fees	7,131	685	242	8,058	7,974
Food and beverage	5,573	241	85	5,899	5,892
Training and leadership development	5,879	-	-	5,879	7,419
Insurance	4,929	474	167	5,570	1,297
Printing	3,824	2	1	3,827	1,624
Conferences and meetings	3,361	8	3	3,372	7,157
Membership dues	1,660	151	53	1,864	1,733
Leadership participant scholarships	1,500	-	-	1,500	3,500
All other	1,604	57	20	1,681	2,874
	861,560	127,462	100,053	1,089,075	998,289
Amortization	8,284	795	281	9,360	11,678
	869,844	128,257	100,334	1,098,435	1,009,967
Less expenses included with revenues on the statement of activities					
Cost of direct benefit to donors	-	-	(16,574)	(16,574)	-
Total expenses	\$ 869,844	\$ 128,257	\$ 83,760	\$1,081,861	\$ 1,009,967

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, 2024
(WITH COMPARATIVE TOTALS FOR 2023)

	2024	2023
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (157,157)	\$ (59,367)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Amortization	9,360	11,678
Net(gains)losses on endowment	(4,682)	(4,457)
 <u>Changes in operating assets and liabilities</u>		
(Increase)decrease in contracts receivable	34,310	11,284
(Increase)decrease in grants receivable	(50,000)	-
(Increase)decrease in donations receivable	(517)	4,487
(Increase)decrease in prepaid expenses	999	8,929
Increase(decrease) in accounts payable	576	(694)
Increase(decrease) in payroll accruals	3,418	13,905
Net cash provided(used) by operating activities	(163,693)	(14,235)
 <u>Cash flows from investing activities</u>		
Purchase of investments	-	(260,000)
Reinvestment of interest	(11,935)	(6,229)
Net cash provided(used) by investing activities	(11,935)	(266,229)
 Net increase(decrease) in cash and cash equivalents	(175,628)	(280,464)
 Cash and cash equivalents, beginning of year	957,368	1,237,832
Cash and cash equivalents, end of year	\$ 781,740	\$ 957,368

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, 2024

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 55,000 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, government grants and individual and board contributions.

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, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

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.

The Organization is funded in part by a contract received from the state government. Expenditures made under the contract are recorded as revenue when incurred. Amounts expended by the Organization prior to reimbursement are recorded as contracts receivable. As of December 31, 2024, management has determined all amounts are fully collectible and expect to be received in 2025.

The Organization received a multi-year grant. The grant includes matching fund requirements. The Organization expects to raise matching funds and receive the remaining grant payment of \$87,500 in 2025.

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.

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

8. Functional Reporting of Expenses

For the year ended December 31, 2024, 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. 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, 2023, from which the summarized information was derived.

11. Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

12. Subsequent Events

Management has evaluated subsequent events through June 26, 2025, the date the report was available for distribution.

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following represents the Organizations financial assets available for general expenditures within one year at December 31, 2024:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 781,740
Short-term investments	268,164
Contracts, grants, and donations receivable	88,619
Beneficial interest in assets held by others	<u>59,326</u>
	1,197,849
Less amounts not available for general expenditures within one year due to:	
Endowment	<u>(59,326)</u>
Total	<u><u>\$ 1,138,523</u></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.

NOTE 4 - GRANTS RECEIVABLE

Grants receivable consist of one multi-year award for future funding. Management has evaluated the commitment and does not believe any present value discount would be immaterial to these financial statements. Under the terms of the commitment, grant payments are expected to be received as follows:

<u>Year</u>	<u>Amount</u>
2025	\$ 25,000
2026	<u>25,000</u>
Total	<u><u>\$ 50,000</u></u>

NOTE 5 - SHORT-TERM INVESTMENTS

Short-term investments, carried at market value (level 1 inputs), consist of a 7-month certificate of deposit. Interest earned on the certificate of deposit and cash accounts for the year ended December 31, 2024, was \$11,935. Additionally, interest earned on cash operating accounts was \$33,105 for the year.

NOTE 6 - 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 any time 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 terms of the Foundation's endowment agreement stipulate that all gifts to the Endowment Fund are irrevocable. The endowment fund is the property of the Foundation, and the Foundation has the ultimate authority and control over all property in the endowment fund and the income derived therefrom.

In accordance with ASC 958-605-50, the endowment has been recorded as a *beneficial interest in assets held by others*. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Because the Organization established the endowment fund with donations without restrictions, the Organization's *beneficial interest in assets held by others* is classified as net assets without donor restrictions. The endowment fund is reported at fair value in the Organization's statement of financial position. Distributions from the endowment fund are recognized as grant revenue without donor restrictions in the statement of activities, and changes in the fair value of the endowment fund are recognized as interest income in the statement of activities. As of December 31, 2024, the Organization has not elected to receive any disbursements (spendable amount) from the endowment.

The assets in the endowment fund are managed by the Foundation and invested in accordance with the Foundations 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	\$ 54,644
Additions	-
Unrealized and realized gains(losses)	5,254
Administrative expenses	<u>(572)</u>
Net return	4,682
Balance, end of year	<u>\$ 59,326</u>

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Website	\$ 43,186
Less: accumulated amortization	<u>(34,382)</u>
Net property and equipment	<u>\$ 8,804</u>

Amortization expense during the year was \$9,360.

NOTE 8 - COMMITMENTS

The Organization signed a 12-month lease, commencing on November 1, 2024, for program and office space in Denver, Colorado. Future lease obligation payments under the agreement total \$13,042.

NOTE 9 - 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	\$ 41,112
Hotline and resource directory	27,622
Research	18,750
Total	<u>\$ 87,484</u>

NOTE 10 - 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	\$ 110,445
Research	110,138
Non-profit infrastructure	94,500
Hotline and resource directory	57,560
Total	<u>\$ 372,643</u>

NOTE 11 - 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 non-expert level services were received as follows:

Hotline Advocates – Colorado’s human trafficking hotline was supported by 53 volunteers in 2024 who donated 21,900 hours valued at approximately \$723,000 for on-call time including responding to callers and texts. Each advocate receives 20 hours of up-front training and 12 hours of mandatory continuing education at quarterly briefings. All volunteers support 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 three interns participate in the Leadership Development Program in 2024 over two total sessions. Each intern volunteered a minimum of 150 hours supporting various aspects of the Organization’s operations including research, training and education, and the hotline.

NOTE 12 - RETIREMENT PLAN

The Organization has a Simple IRA retirement plan for employees that meet minimum eligibility requirements. The Organization contributes 3% of eligible employee's compensation. Retirement expense for year was \$13,983.

NOTE 13 - CONCENTRATION OF CASH

The Organization places all its cash with two financial institutions. Amounts in excess of \$250,000 are not insured by the FDIC or related entity. At year-end, the Organization's uninsured balance at the two financial institutions was approximately \$554,385. Management has evaluated its banking needs and the strength of these financial institutions and feels it is in the best long-term interest of the Organization to continue its existing banking relationships.