

COALITION TO ABOLISH SLAVERY & TRAFFICKING

FINANCIAL STATEMENTS

June 30, 2023

(With Comparative Totals for 2022)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Coalition to Abolish Slavery & Trafficking

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Coalition to Abolish Slavery & Trafficking (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2023, 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 Coalition to Abolish Slavery & Trafficking (CAST) as of June 30, 2023, and the changes in its 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CAST 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.

Emphasis of Matter

As discussed in Note 2, beginning July 1, 2022, CAST adopted Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842) and its related amendments using the modified-retrospective transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 substantial doubt about CAST's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 and *Government 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 and *Government 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 CAST'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 CAST'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 29, 2024, on our consideration of CAST's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CAST's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of CAST as of June 30, 2022 were audited by other auditors, whose report dated March 30, 2023 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California
February 29, 2024

COALITION TO ABOLISH SLAVERY & TRAFFICKING

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 2,544,766	\$ 2,052,597
Grants and contracts receivable, net	1,062,462	2,305,550
Contributions receivable	180,223	828,189
Accounts receivable	24,403	58,478
Prepaid expenses, deposits, and other assets	114,724	129,399
Property and equipment, net	3,974,794	4,090,229
Operating right-of-use asset, net	278,379	-
TOTAL ASSETS	\$ 8,179,751	\$ 9,464,442
LIABILITIES		
Accounts payable	\$ 177,968	\$ 162,869
Accrued liabilities	431,674	592,993
Notes payable	3,190,704	3,367,966
Operating lease liability	302,681	-
TOTAL LIABILITIES	4,103,027	4,123,828
NET ASSETS		
Without donor restrictions	3,351,714	4,299,372
With donor restrictions	725,010	1,041,242
TOTAL NET ASSETS	4,076,724	5,340,614
TOTAL LIABILITIES AND NET ASSETS	\$ 8,179,751	\$ 9,464,442

The accompanying notes are an integral part of these financial statements.

COALITION TO ABOLISH SLAVERY & TRAFFICKING

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
REVENUE AND SUPPORT				
Government contracts	\$ 4,364,627	\$ 300,555	\$ 4,665,182	\$ 5,601,128
Foundation contributions	222,555	592,053	814,608	1,804,197
Individual and business contributions	751,375	45,000	796,375	951,114
Contributed services and goods	1,393,092	-	1,393,092	1,342,087
PPP loan forgiveness	-	-	-	566,500
Note payable forgiveness	177,262	-	177,262	177,261
Interest income	17,241	-	17,241	-
Other revenue and support	79,064	-	79,064	15,661
Net assets released from restrictions	<u>1,253,840</u>	<u>(1,253,840)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>8,259,056</u>	<u>(316,232)</u>	<u>7,942,824</u>	<u>10,457,948</u>
EXPENSES				
Program services	7,890,880	-	7,890,880	7,939,364
Supporting services	<u>1,315,834</u>	<u>-</u>	<u>1,315,834</u>	<u>1,267,241</u>
Total expenses	<u>9,206,714</u>	<u>-</u>	<u>9,206,714</u>	<u>9,206,605</u>
CHANGE IN NET ASSETS	(947,658)	(316,232)	(1,263,890)	1,251,343
NET ASSETS, BEGINNING OF YEAR	<u>4,299,372</u>	<u>1,041,242</u>	<u>5,340,614</u>	<u>4,089,271</u>
NET ASSETS, END OF YEAR	<u>\$ 3,351,714</u>	<u>\$ 725,010</u>	<u>\$ 4,076,724</u>	<u>\$ 5,340,614</u>

The accompanying notes are an integral part of these financial statements.

COALITION TO ABOLISH SLAVERY & TRAFFICKING

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

	Empowerment Programs	Legal Services	Advocacy	Total Program Services	Management and General	Fundraising	Total Support Services	Totals	
								2023	2022
PERSONNEL EXPENSES									
Salaries and wages	\$ 2,470,165	\$ 1,124,163	\$ 39,249	\$ 3,633,577	\$ 336,006	\$ 289,358	\$ 625,364	\$ 4,258,941	\$ 3,462,421
Employee benefits	295,453	134,460	4,694	434,607	40,189	34,610	74,799	509,406	537,644
Payroll taxes	191,745	87,263	3,047	282,055	26,082	22,461	48,543	330,598	267,353
Total personnel expenses	2,957,363	1,345,886	46,990	4,350,239	402,277	346,429	748,706	5,098,945	4,267,418
OPERATIONAL EXPENSES									
Program and client services	613,093	261,521	9,741	884,355	17,495	-	17,495	901,850	1,694,535
Contributed services	329,930	827,733	235,429	1,393,092	-	-	-	1,393,092	1,342,087
Professional services	182,654	83,125	2,902	268,681	237,444	63,024	300,468	569,149	743,907
Occupancy	163,201	74,272	2,593	240,066	22,199	19,118	41,317	281,383	246,496
Bad debt expense	99,846	45,439	1,586	146,871	13,581	11,696	25,277	172,148	87,355
Telephone and telecommunication	57,468	26,154	913	84,535	34,022	1,079	35,101	119,636	99,833
Computer equipment and software	48,491	37,550	2,083	88,124	13,844	7,005	20,849	108,973	15,567
Insurance	44,783	20,381	712	65,876	6,092	5,246	11,338	77,214	56,690
Supplies	15,185	6,911	241	22,337	3,742	195	3,937	26,274	125,955
Travel, local parking, and mileage	45,242	15,960	3,246	64,448	11,835	3,654	15,489	79,937	43,732
Events	4,596	30,246	43	34,885	2,550	402	2,952	37,837	21,424
Depreciation	66,952	30,469	1,064	98,485	9,107	7,843	16,950	115,435	133,390
Postage, shipping, and delivery	10,165	7,217	536	17,918	3,830	2,228	6,058	23,976	25,688
Repairs and maintenance	26,970	12,274	429	39,673	3,669	3,159	6,828	46,501	95,462
Bank and payroll processing fees	8,158	3,713	130	12,001	10,094	956	11,050	23,051	28,656
Training and development	11,123	5,062	177	16,362	1,513	1,303	2,816	19,178	26,963
Other	11,815	5,375	188	17,378	1,607	1,384	2,991	20,369	35,571
Staff training and development	8,495	3,866	135	12,496	4,830	915	5,745	18,241	28,886
Printing, graphic design, and media production	4,918	1,012	162	6,092	427	14,574	15,001	21,093	29,404
Dues and subscriptions	14,109	5,497	192	19,798	13,503	4,605	18,108	37,906	46,406
Recruiting	4,873	2,218	77	7,168	7,283	75	7,358	14,526	11,180
Total operational expenses	1,772,067	1,505,995	262,579	3,540,641	418,667	148,461	567,128	4,107,769	4,939,187
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 4,729,430	\$ 2,851,881	\$ 309,569	\$ 7,890,880	\$ 820,944	\$ 494,890	\$ 1,315,834	\$ 9,206,714	
	52%	31%	3%	86%	9%	5%	14%	100%	
TOTAL 2022 FUNCTIONAL EXPENSES	\$ 5,343,374	\$ 2,382,118	\$ 213,872	\$ 7,939,364	\$ 796,124	\$ 471,117	\$ 1,267,241		\$ 9,206,605
	58%	26%	2%	86%	9%	5%	14%		100%

The accompanying notes are an integral part of these financial statements.

COALITION TO ABOLISH SLAVERY & TRAFFICKING

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,263,890)	\$ 1,251,343
Adjustments to reconcile change in net assets to cash from operating activities:		
Forgiveness of note payable	(177,262)	(177,261)
Forgiveness of PPP loan	-	(566,500)
Bad debt expense	172,148	87,355
Depreciation	115,435	133,390
Amortization on operating lease	201,397	
Change in operating assets and liabilities:		
Grants and contracts receivable	1,070,940	(665,300)
Contributions receivable	647,966	(689,062)
Accounts receivable	34,075	-
Prepaid expenses, deposits, and other assets	14,675	92,940
Accounts payable	15,099	(42,484)
Accrued liabilities	(121,034)	240,628
Operating lease liability	(217,380)	-
Net cash (used in) provided by operating activities	<u>492,169</u>	<u>(334,951)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	492,169	(334,951)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,052,597</u>	<u>2,387,548</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,544,766</u>	<u>\$ 2,052,597</u>

The accompanying notes are an integral part of these financial statements.

COALITION TO ABOLISH SLAVERY & TRAFFICKING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – Nature of Operations

The Coalition to Abolish Slavery & Trafficking (CAST), a Los Angeles-based 501(c)(3) nonprofit organization founded in 1998, provides immediate emergency response and comprehensive trauma-informed services to over 350 survivors of human trafficking and their families each year. Through its evidence-driven model of learning from survivors, and in the midst of incredible social awareness, uprising, and change, CAST is a champion of resiliency, empowerment, and movement building, lending its expertise to the crucial dialogue on gender and race equity, immigrant rights, and inclusivity, among other issues which intersect with human trafficking. CAST’s mission has never been so relevant and important as it is today.

As an industry leader, CAST has a profound impact in the lives of survivors of human trafficking. CAST is the key go-to resource for the Los Angeles community and the United States of America on issues related to human trafficking. Through partnerships with healthcare organizations, government agencies, law enforcement, and business, cultural, and faith-based communities, CAST provides support at every phase of a human trafficking survivor's journey to freedom, including:

- **Hotline and Emergency Response:** CAST’s 24-hour hotline provides immediate and around the clock response to victims of trafficking and serves as a resource to the community for referrals, technical assistance, and reporting tips regarding potential human trafficking cases. The dedicated emergency response team provides immediate, short-term services to ensure the safety, well-being, and rights of victims when they first escape.
- **Housing Program:** The first of its kind in the nation, CAST’s emergency shelter - Hummingbird Haven, and its transitional shelter - Mariposa Haven - provide safe housing for trafficked women and transition-aged youth (TAY) who would otherwise be homeless. Through a host of supportive services, Hummingbird Haven and Mariposa Haven are vital parts of CAST’s continuum of care to help survivors establish safety, healing, and self-sufficiency. Residents are taught skills in conflict resolution, job training, independent living, and financial literacy and planning. CAST’s housing program has been studied by numerous countries and organizations to replicate its trauma-informed, client-centered model. Providing a continuum of housing services, CAST also began its Rapid Re-Housing Program in 2020, which supports survivors of trafficking with finding a permanent home, rental assistance, and dedicated case management.

COALITION TO ABOLISH SLAVERY & TRAFFICKING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – Nature of Operations (Continued)

- **Comprehensive Case Management:** Utilizing an empowerment approach, CAST provides a uniquely designed continuum of care to meet the emergency, long term, and diverse needs of human trafficking survivors. Case managers go the extra mile to ensure safety and a clear path to independence; clients are regularly assessed to provide every avenue possible to achieve their goals. Services include providing basic necessities, supportive counseling, medical and mental health care, education, life skills training, employment, transportation, and state and federal benefits coordination. When survivors graduate from CAST, they are self-sufficient and reintegrated into the community.
- **Youth Program:** Recognizing the specialized needs of trafficked minors and TAY, CAST provides group activities focused on empowerment, positive experiences, and education; comprehensive case management and advocacy with interventions designed for youth; assistance navigating government systems, such as probation and the Department of Children and Family Services; and internships for TAY to build job skills and professional development through direct work experience and mentoring.
- **Survivor Leadership:** CAST's model survivor leadership programs, Resilient Voices: Los Angeles Survivor Network (launched in 2003) and the National Survivor Network (launched in 2011), bring together survivors of human trafficking from around the United States of America who are empowered to organize and impact policy change. Their voices on policies and public awareness have led to the development of stronger protections for victims in California and federal anti-trafficking laws. By connecting survivors across the country, CAST supports survivors to build leadership capacity, adding value to the field with survivor insights and expertise.
- **Legal Services:** CAST is one of the only providers in the United States of America that comprehensively assesses and serves the full spectrum of legal services trafficking survivors need. Specializing in immigration, crime victim rights, family law, civil remedies, and criminal witness advocacy, CAST's expert team of lawyers win justice for survivors. The legal services program works collaboratively with clients, community-based organizations, public-interest attorneys, and numerous government agencies to ensure survivors of human trafficking are provided culturally-sensitive, victim-centered legal representation. Along with CAST's team of 10 full-time attorneys on staff, CAST's pro bono network of attorneys volunteer to take cases and support cutting edge policy initiatives.

COALITION TO ABOLISH SLAVERY & TRAFFICKING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – Nature of Operations (Continued)

- **Advocacy:** Drawing from 25 years of direct experience working with survivors of trafficking, CAST sponsors cutting-edge legislation on victim protections and human trafficking prevention policies and contributes its expertise to the media. Serving as the go-to resource for policymakers, CAST’s public policy agenda centers around survivor experiences and invests in the training of survivors as advocates and leaders to impact systemic change. Trafficking Victims Protection Act, SB657 California Transparency in Supply Chains Act, AB1761 Affirmative Defense for Human Trafficking Survivors, the federal Survivors of Human Trafficking Empowerment Act, and appropriations for \$5,000,000 for specialized services for victims of trafficking are just a few laws that CAST successfully championed.

- **Outreach, Training, and Partnerships:** CAST is an internationally recognized leader and resource for corporate social responsibility programs, media, policymakers, law enforcement, and philanthropic community to access information about modern slavery. Believing in collective impact, CAST provides education, training, and technical assistance to increase identification of victims, expand resources for their care, and end human trafficking in industries where it is prevalent. Additionally, CAST is a national training and technical assistance provider for attorneys across the country to enable survivors to access critical legal services.

CAST’s long-standing commitment to serving all types of survivors of human trafficking is unparalleled. Unlike most other direct service providers, CAST helps survivors move from crisis to independence regardless of type of trafficking, age, gender, sexual orientation, native language, or country of origin. CAST’s work with survivors spans more than two decades and provides unique insight into the effectiveness of programs that seek to identify victims, address the unique needs of vulnerable populations, and provide services to empower survivors at every stage of recovery.

CAST is a four-star charity, with the highest score possible, through Charity Navigator, and was awarded GuideStar's Platinum Transparency status in 2023.

COALITION TO ABOLISH SLAVERY & TRAFFICKING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of CAST have been prepared under the accrual basis of accounting. CAST reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of CAST or the passage of time. As restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Other donor stipulations are perpetual in nature, where the donor stipulates that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. Such income generally includes interest, dividends, and realized and unrealized earnings from the corpus.

Prior-Year Comparative Information

The financial statements include certain prior-year 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 accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with CAST's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Reclassification

Certain amounts in June 30, 2022 financial statements have been reclassified to conform to the current year financial statement presentation.

COALITION TO ABOLISH SLAVERY & TRAFFICKING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, CAST considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. CAST maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. CAST has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The carrying value of cash and cash equivalents approximates its fair value at June 30, 2023.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, CAST's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. CAST's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Revenue and Support

Contributions, including unconditional promises to give, are recognized when the promise to give is received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized as revenue or receivable until the conditions on which they depend have been substantially met. At June 30, 2023, CAST is party to conditional grants with grant terms through 2024 and additional funding of approximately \$3,200,000 that has not been recognized at June 30, 2023 because certain performance obligations have not yet been met.

COALITION TO ABOLISH SLAVERY & TRAFFICKING

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Revenue and Support (Continued)

Grants and contracts receivable are recorded when the conditions are met. Accounts receivable are recorded when billed and services are performed and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2023, the majority of receivables are due from governmental agencies. Accounts receivable are minimal at June 30, 2023 and primarily represent amounts to be received for consulting services performed. Management evaluated the collectability of both grants and contracts receivable and accounts receivable and determined that no allowance was necessary at June 30, 2023. An allowance of \$79,018 was recorded June 30, 2022.

The majority of CAST's government contracts revenue is derived from cost reimbursement grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Such grants are generally considered nonreciprocal transactions restricted by the awarding agencies for certain purposes. Amounts received are recognized as revenue when CAST has satisfied the specific performance requirements or incurred expenditures in compliance with specific contract or grant provisions. CAST has elected to adopt a policy whereby donor-restricted grants and contracts that were initially conditional and whose conditions and restrictions are met in the same reporting period are recognized as revenue without donor restrictions. Amounts received prior to incurring qualifying expenditures or fulfilling the specific performance obligations are reported as advances received in the statement of financial position. Advances received totaled \$83,665 at June 30, 2023 and are included in accrued liabilities on the statement of financial position.

Revenue and Receivable Concentration

CAST's revenue and support is primarily received from the federal government, various state governments, and private organizations primarily under cost reimbursement or fixed price contracts. For the year ended June 30, 2023, approximately 51% of revenue was from three government agencies. At June 30, 2022, approximately 45% of grants and contracts receivable was due from 3 grantors. Approximately 81% of pledges receivable was due from one donor at June 30, 2023.

COALITION TO ABOLISH SLAVERY & TRAFFICKING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Buildings	39.5 Years
Furniture and Fixtures	3-7 Years

Expenditures for repairs and maintenance are charged to expense as incurred while renewals and betterments are capitalized. Property and equipment is capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year. Expenditures for property and equipment acquired under certain grant agreements are expensed when incurred because the grantor retains title to such assets.

Property and equipment is reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Contributed Services and Goods

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

A substantial number of unpaid volunteers have donated significant amounts of their time to CAST, primarily in the areas of social services, legal services, training, and assistance at the CAST shelter. Volunteers provide various forms of assistance to CAST staff members that include administrative support, shelter activity coordination and support, legal research, legal writing and documentation, and certain training/outreach support. Some of the services that these individuals rendered, however, do not meet the above recognition criteria and, as such, are not recognized as revenue.

COALITION TO ABOLISH SLAVERY & TRAFFICKING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

CAST is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and California income taxes under Section 23701(d) of the California Revenue and Taxation Code. The Internal Revenue Service classified CAST as one that is not a private foundation within the meaning of Section 509(a) of the Code because it is an organization described in Section(s) 509(a)(1) and 170(b)(1)(A)(vi).

CAST has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 740-10, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended June 30, 2023, CAST had no material unrecognized tax benefits, tax penalties, or interest.

CAST is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California is four years.

Functional Allocation of Expenses

The costs of providing CAST's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. CAST uses full-time equivalents to allocate indirect costs.

Leasing Arrangements

In February 2016, the FASB issued new lease accounting guidance in Accounting Standards Update (ASU) 2016-02 *Leases (Topic 842)*, which modifies lease accounting for lessees to increase transparency and comparability by requiring organizations to recognize a lease liability and a related right-of-use assets for all leases (with the exception of short-term leases) at the commencement date of the lease and to disclose key information about leasing arrangements.

COALITION TO ABOLISH SLAVERY & TRAFFICKING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Leasing Arrangements (Continued)

Effective July 1, 2022, CAST adopted ASU 2016-02. CAST determines if an arrangement contains a lease at inception based on whether CAST has the right to control the asset during the contract period and other facts and circumstances. CAST elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

CAST's policy for determining its lease discount rate used for measuring the lease liability is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then CAST has elected to use its incremental borrowing rate or the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

CAST has elected a policy to account for short-term leases, defined as any lease with a term less than 12 months, by recognizing all components of the lease payment in the statement of activities in the period in which the obligation for the payments is incurred.

CAST adopted ASU 2016-02 utilizing the modified-retrospective transition method through a cumulative-effect adjustment. The adoption of ASU 2016-02 resulted in the recognition of an operating lease right-of-use asset of \$479,776 and an operating lease liability of \$520,061 as of July 1, 2022. Results for periods beginning prior to July 1, 2022 continue to be reported in accordance with CAST's historical accounting treatment. The adoption of ASU 2016-02 did not have a material impact on CAST's results of operations or cash flows.

Recently Issued Accounting Pronouncement

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326: Measurement of Credit Losses on Financial Instruments)* (ASU 2016-13), which changes the impairment model for most financial instruments, including trade receivables from an incurred loss method to a new forward-looking approach, based on expected losses. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information, and reasonable and supportable forecasts. This ASU is effective for fiscal years beginning after December 15, 2022. CAST is currently evaluating the potential impact that the adoption of ASU 2016-13 will have on the financial statements.

COALITION TO ABOLISH SLAVERY & TRAFFICKING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

CAST has evaluated subsequent events from the statement of financial position date through February 29, 2024, which is the date the financial statements were available to be issued and determined that there are no further items that are required to be disclosed.

NOTE 3 – Liquidity and Availability of Resources

The following reflects CAST’s financial assets as of June 30, 2023, reduced by amounts not available for general use because of timing or donor-imposed restrictions within one year of the statement of financial position date:

Financial assets, end of year:	
Cash and cash equivalents	\$ 2,544,766
Grants and contracts receivable	1,062,462
Contributions receivable	180,223
Accounts receivable	<u>24,403</u>
Total financial assets, end of year:	<u>3,811,854</u>
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by donor purpose restrictions	<u>(725,010)</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u><u>\$ 3,086,844</u></u>

CAST regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. CAST is substantially supported by contributions, government grants, and contracts without donor restrictions. As part of CAST’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

COALITION TO ABOLISH SLAVERY & TRAFFICKING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 – Property and Equipment

Property and equipment consist of the following at June 30,:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 4,375,574	\$ 4,375,574
Furniture and fixtures	<u>70,033</u>	<u>70,033</u>
Total	4,445,607	4,445,607
Less accumulated depreciation	<u>(470,813)</u>	<u>(355,378)</u>
Net, property and equipment	<u>\$ 3,974,794</u>	<u>\$ 4,090,229</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$115,435 and \$133,390, respectively.

NOTE 5 – Notes Payable

In May 2021, CAST entered into an agreement with the City of Los Angeles Housing and Community Investment Department to provide funding of up to \$4,000,000 for the purpose of purchasing Hummingbird Haven, a temporary, emergency shelter for victims of human trafficking. The note payable, secured by a deed of trust, with an interest rate of 0%, is forgivable over a 20-year service payback period, and for each year that CAST provides continuous services, the amortization rate shall be the equivalent of 1/20th of the initial loan amount. At June 30, 2023, the balance of the note payable was \$3,190,704, with forgiveness income of \$177,262 reflected in the statement of activities for the year ended June 30, 2023.

COALITION TO ABOLISH SLAVERY & TRAFFICKING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 – Notes Payable (Continued)

At June 30, 2023, the future scheduled forgiveness of the note is as follows:

Year Ending June 30,		
2024	\$	177,261
2025		177,261
2026		177,261
2027		177,261
2028		177,261
Thereafter		2,304,399
Total forgiveness	\$	3,190,704

NOTE 6 – Paycheck Protection Program Loan

In April 2020, CAST applied for and received a Paycheck Protection Program (PPP) loan in the amount of \$566,500. The PPP loan, administered by the Small Business Administration (SBA), bore interest at a fixed rate of 1.0% per annum, had a term of two years, and was unsecured and guaranteed by the SBA. Interest accrued on the loan beginning with the initial disbursement; however, payments of principal and interest were deferred until the lender’s determination of the amount of forgiveness applied for by the borrower was approved by the SBA.

CAST received full loan forgiveness in September 2021. Forgiveness income of \$566,500 has accordingly been reflected in the statement of activities for the year ended June 30, 2022.

NOTE 7 – Lease Arrangements

CAST leases real property under a non-cancelable operating lease that expires in October 2024. CAST also enters into short-term lease agreements of less than one year that are scoped out of recognition under ASC 842.

The lease arrangement provides for minimum lease payments. Variable payments are not determinable at lease commencement and are not included in the measurements of the operating right-of-use asset and operating lease liability. The lease agreement does not include any material residual guarantees or restrictive covenants.

COALITION TO ABOLISH SLAVERY & TRAFFICKING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7 – Lease Arrangements (Continued)

The following summarizes the line items in the statement of financial position, which include amounts for the operating lease at June 30, 2023:

Operating lease right-of-use assets, net	<u>\$ 278,379</u>
Operating lease liability	<u>\$ 302,681</u>

Operating lease right of-of-use asset is shown net of accumulated amortization. Amortization for the year ended June 30, 2023 was \$201,397. The components of operating lease expenses that are included in occupancy in the statement of functional expenses are as follows at June 30, 2023:

Operating lease costs	\$ 212,831
Variable lease costs	<u>43,824</u>
	<u>\$ 256,655</u>

The following summarizes the cash flow information related to leases for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 217,380
Noncash investing and financing activity:	
Right-of-use asset recorded upon adoption	\$ 479,776
Lease liabilities recorded upon adoption	\$ 520,061

COALITION TO ABOLISH SLAVERY & TRAFFICKING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7 – Lease Arrangements (Continued)

The weighted-average remaining lease term and discount rate are as follows for the year ended June 30, 2023:

Weighted-average remaining lease term - operating leases	1.33 years
Weighted-average discount rate - operating leases	2.84 %

The maturities of operating lease liabilities as of June 30, 2023 are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Operating</u> <u>Lease</u>
2024	\$ 231,058
2025	<u>77,019</u>
Total minimum lease payments	308,077
Less amounts representing interest	<u>(5,396)</u>
Present value of minimum lease payments	<u><u>\$ 302,681</u></u>

NOTE 8 – Commitments and Contingencies

CAST’s grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, CAST has no provisions for the possible disallowance of program costs in its financial statements.

In the normal course of business, CAST may become a party to litigation. Management believes there are no asserted or unasserted claims or contingencies that would have a significant impact on the financial statements of CAST as of June 30, 2023.

COALITION TO ABOLISH SLAVERY & TRAFFICKING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 – Employee Benefit Plan

CAST sponsors a 403(b) Thrift Plan (the Plan) for the benefit of its employees, substantially all of whom are eligible to participate after meeting minimum qualifying standards. CAST has elected to make contributions to the Plan on behalf of participating employees, who are at least 21 years of age, for 3% of their eligible compensation. For the years ended June 30, 2023 and 2022, CAST’s matching contribution to the Plan was \$114,892 and \$103,668, respectively.

NOTE 10 – Contributed Services and Goods

During the year ended June 30, 2023, contributed services consisted of the following:

	<u>Revenue Recognized</u>		<u>Valuation Techniques</u>
	<u>2023</u>	<u>2022</u>	<u>and Inputs</u>
Legal	\$ 770,082	\$ 1,024,620	Standard hourly rates
Database administration	225,000	112,500	Standard hourly rates
Policy work	232,665	195,399	Standard hourly rates
Furniture, clothing, and supplies	9,345	9,568	Value if sold at wholesale
Mental health services	<u>156,000</u>	<u>-</u>	Standard hourly rates
Total	<u>\$ 1,393,092</u>	<u>\$ 1,342,087</u>	

All donated services and goods were utilized by CAST’s programs and supporting services. There were no donor-imposed restrictions associated with the donated services.

COALITION TO ABOLISH SLAVERY & TRAFFICKING

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 11 – Net Assets

The activity of net assets with donor restrictions for the year ended June 30, 2023 is as follows:

	<u>Balance at</u> <u>6/30/2022</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance at</u> <u>6/30/2023</u>
Net assets restricted for time or purpose:				
Survivor leadership programs	\$ 823,987	\$ 124,803	\$ (730,666)	\$ 218,124
Health care	108,396	-	(108,396)	-
Legal services	64,467	195,000	(98,310)	161,157
Research and advocacy	-	80,000	(31,280)	48,720
Housing	-	120,000	(32,761)	87,239
Case management and youth	-	380,655	(215,885)	164,770
Other	19,392	12,150	(31,542)	-
General operations - time restriction	-	25,000	(5,000)	20,000
Restricted in perpetuity:				
Endowment corpus	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Net assets with donor restrictions	<u>\$ 1,041,242</u>	<u>\$ 937,608</u>	<u>\$ (1,253,840)</u>	<u>\$ 725,010</u>