



**End Modern Slavery Initiative
Foundation
(dba Global Fund to End Modern
Slavery)**

Financial Statements
Years Ended December 31, 2019 and 2018

**End Modern Slavery Initiative Foundation
(dba Global Fund to End Modern Slavery)**

Financial Statements
Years Ended December 31, 2019 and 2018

End Modern Slavery Initiative Foundation (dba Global Fund to End Modern Slavery)

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Independent Auditor's Report

Board of Directors
End Modern Slavery Initiative Foundation
(dba Global Fund to End Modern Slavery)
Arlington, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of **End Modern Slavery Initiative Foundation (dba Global Fund to End Modern Slavery)** ("the Fund" or "GFEMS"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **End Modern Slavery Initiative Foundation (dba Global Fund to End Modern Slavery)** as of December 31, 2019 and 2018, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

McLean, Virginia
July 30, 2020

Financial Statements

**End Modern Slavery Initiative Foundation
(dba Global Fund to End Modern Slavery)**

Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Cash and cash equivalents	\$ 2,963,459	\$ 2,889,332
Grants receivable	1,064,316	880,399
Subrecipient advances	259,788	94,350
Prepaid expenses	58,547	34,534
Total assets	\$ 4,346,110	\$ 3,898,615
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,222,465	\$ 891,579
Accrued payroll liabilities	79,597	25,208
Refundable advances	2,569,820	2,831,018
Total liabilities	3,871,882	3,747,805
Commitments		
Net assets		
Without donor restrictions	474,228	150,810
Total liabilities and net assets	\$ 4,346,110	\$ 3,898,615

See accompanying notes to the financial statements.

**End Modern Slavery Initiative Foundation
(dba Global Fund to End Modern Slavery)**

Statements of Activities and Change in Net Assets

<i>Years ended December 31,</i>	2019	2018
Revenue and support		
Government and private grants	\$ 10,560,443	\$ 3,314,651
In-kind contributions	66,176	229,740
Contributions	6,376	12,000
Interest income	18,606	-
Total revenue and support	10,651,601	3,556,391
Expenses		
Program services	9,437,495	3,307,143
Supporting Services		
Management and general	868,101	120,240
Fundraising	22,587	9,375
Total supporting services	890,688	129,615
Total expenses	10,328,183	3,436,758
Change in net assets	323,418	119,633
Net assets without donor restrictions, beginning of year	150,810	31,177
Net assets without donor restrictions, end of year	\$ 474,228	\$ 150,810

See accompanying notes to the financial statements.

**End Modern Slavery Initiative Foundation
(dba Global Fund to End Modern Slavery)**

Statement of Functional Expenses

<i>Year ended December 31, 2019</i>	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Salaries	\$ 1,425,474	\$ 386,498	\$ 19,629	\$ 406,127	\$ 1,831,601
Employee benefits	234,623	45,909	2,958	48,867	283,490
Travel expenses	290,200	803	-	803	291,003
Consultant and contractors	3,792,806	-	-	-	3,792,806
Legal fees	46,816	54,245	-	54,245	101,061
Subawards	3,549,353	-	-	-	3,549,353
Conferences and meetings	3,233	3,815	-	3,815	7,048
Other program direct costs	2,671	1,674	-	1,674	4,345
Training	9,761	-	-	-	9,761
Accounting fees	20,216	46,139	-	46,139	66,355
Bank charges	-	8,523	-	8,523	8,523
Business insurance	-	14,517	-	14,517	14,517
Computer supplies	-	23,911	-	23,911	23,911
Office expenses	-	12,753	-	12,753	12,753
Payroll processing	-	51,918	-	51,918	51,918
Professional fees	673	-	-	-	673
Recruiting	8,535	95,317	-	95,317	103,852
Rent	-	118,108	-	118,108	118,108
Software systems	50,764	-	-	-	50,764
Stationery and printing	2,370	-	-	-	2,370
Telephone and mobiles	-	3,971	-	3,971	3,971
Total expenses	\$ 9,437,495	\$ 868,101	\$ 22,587	\$ 890,688	\$ 10,328,183

See accompanying notes to the financial statements.

**End Modern Slavery Initiative Foundation
(dba Global Fund to End Modern Slavery)**

Statement of Functional Expenses

<i>Year ended December 31, 2018</i>	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 641,036	\$ -	\$ 1,191	\$ 1,191	\$ 642,227
Employee benefits	102,607	-	204	204	102,811
Travel expenses	360,076	417	105	522	360,598
Consultant and contractors	1,560,170	-	7,875	7,875	1,568,045
Legal fees	2,146	1,572	-	1,572	3,718
Subawards	566,142	-	-	-	566,142
Conferences and meetings	982	321	-	321	1,303
Other program direct costs	4,550	-	-	-	4,550
Training	4,696	-	-	-	4,696
Accounting fees	3,165	-	-	-	3,165
Bank charges	6,370	-	-	-	6,370
Business insurance	-	7,551	-	7,551	7,551
Computer supplies	12,548	1,085	-	1,085	13,633
Office expenses	1,630	6,894	-	6,894	8,524
Payroll processing	27,755	250	-	250	28,005
Professional fees	11,788	-	-	-	11,788
Rent	-	100,826	-	100,826	100,826
Software systems	1,183	-	-	-	1,183
Staff development	-	441	-	441	441
Stationery and printing	70	883	-	883	953
Telephone and mobiles	229	-	-	-	229
Total expenses	\$ 3,307,143	\$ 120,240	\$ 9,375	\$ 129,615	\$ 3,436,758

See accompanying notes to the financial statements.

**End Modern Slavery Initiative Foundation
(dba Global Fund to End Modern Slavery)**

Statements of Cash Flows

<i>Years ended December 31,</i>	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 323,418	\$ 119,633
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in assets		
Grants receivable	(183,917)	(863,484)
Subrecipient advances	(165,438)	(94,350)
Prepaid expenses	(24,013)	(9,784)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	330,886	847,084
Accrued payroll liabilities	54,389	25,208
Refundable advances	(261,198)	2,831,018
Net cash provided by operating activities	74,127	2,855,325
Net increase in cash and cash equivalents	74,127	2,855,325
Cash and cash equivalents, beginning of year	2,889,332	34,007
Cash and cash equivalents, end of year	\$ 2,963,459	\$ 2,889,332

See accompanying notes to the financial statements.

End Modern Slavery Initiative Foundation (dba Global Fund to End Modern Slavery)

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

Global Fund to End Modern Slavery (“the Fund” or “GFEMS”) is a 501(c)(3) organization established in 2015 as a bold international fund, forging public-private partnerships and catalyzing a coherent global strategy to end modern slavery. The Fund’s mission is to end modern slavery by making it economically unprofitable. The Fund makes grants across sectors and geographies with a focus on three core funding themes: rule of law, business engagement, and sustaining freedom. The Fund’s strategy also includes the development of public-private investments across key industries and innovative approaches to evaluating what works in reducing the prevalence of modern slavery.

The legal name of the organization is End Modern Slavery Initiative Foundation; however, the organization conducts its business as Global Fund to End Modern Slavery.

The Fund’s current financial support is derived through funding agreements with various governmental agencies including the United States Department of State Office to Monitor and Combat Trafficking in Persons, the United Kingdom’s Department for International Development and the Norwegian Agency for Development Cooperation. Additional support is received from individuals, corporations, and foundations. The Fund uses these funds to expand the scope and impact of its international programs to end modern slavery.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. In-kind expenses have been allocated, based on estimates of time and effort and certain other factors. Salaries and related benefits are based on the nature of the work done by each employee. Management and general costs such as rent and office support costs are included in management and general. Management and general costs include expenses that cannot be tied directly to an activity including some expenses in the natural expense categories of legal fees, office expenses, payroll processing, rent and other.

End Modern Slavery Initiative Foundation (dba Global Fund to End Modern Slavery)

Notes to Financial Statements

Cash equivalents

The Fund considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. The Fund maintains cash balances which may exceed federally insured limits. The Fund does not believe that this results in any significant credit risk.

Grants receivable

Grants receivable are comprised of amounts unbilled on grants and result from revenue being recognized as expenses are incurred. Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management's estimate is based on experience with the grantors and donors and collections. Management has determined that amounts recorded as receivables are fully collectible as December 31, 2019 and 2018, and accordingly, there was no provision for doubtful accounts provided at such dates. Grants and accounts receivable are written off if reasonable collection efforts prove unsuccessful. All grants receivable are due in one year.

Refundable Advances

The Fund recognizes revenue from conditional grants received from federal grantors and foreign governments as conditions are met. When cash is received before conditions are met, a refundable advance is recorded (a liability shown in the statement of financial position).

Revenue and support

Government and private grants

The Fund receives grant funding from U.S Government grants and cooperative agreements, foreign government agencies, and private foundations/corporations. Revenue is recognized only to the extent of expenditures under the terms of the grants. Grant awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an existing grant. Excess expenses incurred are borne by the Fund. Unexpended funds are returned to the grantors if required by the grant agreement. Some grant payments may be received in advance of related expenditures. These amounts, if applicable, are reflected in the accompanying statements of financial position as refundable advances. During the years ended December 31, 2019 and 2018, the Fund recorded revenue from the U.S. government which comprises 72% and 80%, respectively, of total revenue and support.

Contributions

Contributions are recognized as revenue when cash or unconditional promises to give are received. Promises to give that stipulate conditions to be met before the contribution is made are not recorded as revenue until the conditions are met. Conditional promises to give are not recognized as revenue until donor-imposed conditions have been met.

Unconditional contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period or are restricted by the donor for specific purposes are reported as contributions with donor restrictions. These contributions also increase net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with

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Notes to Financial Statements

donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as contributions without donor restrictions.

At December 31, 2019, the Organization had remaining available award balances on U.S. government, bilateral, and multilateral grants and contracts for sponsored projects of \$36,197,320. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred. The Organization has awarded conditional grants to subrecipients related to performance of these sponsored projects, which have outstanding commitments of up to \$5,600,500 as of December 31, 2019.

In-kind contributions

In-kind contributions are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in the related functional expense category. The Fund received approximately \$66,000 and \$230,000 for December 31, 2019 and 2018, respectively, of in-kind contributions.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. The Fund had no net assets with donor restrictions during the years ended December 31, 2019 and 2018.

Concentrations of credit risk

Financial instruments which potentially subject the Fund to concentrations of credit risk consist principally of cash held at creditworthy financial institutions. At times, the Fund's operating cash accounts exceed federally insured limits. Amounts on deposit in excess of federally insured limits at December 31, 2019 was approximately \$2.7 million. The Fund has not experienced any losses related to these balances. Grants receivable consist primarily of amounts due from foreign and domestic government agencies. For the years ended December 31, 2019 and 2018, 100% and 55%, respectively, of total grants receivable is due from one funder.

End Modern Slavery Initiative Foundation (dba Global Fund to End Modern Slavery)

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Income taxes

The Fund is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (the IRC). In addition, the Fund qualifies for charitable contributions deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. There was no tax liability for unrelated business income for the years ended December 31, 2019 and 2018.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position taken would be sustained in a tax examination, presuming that a tax examination will occur. Management has evaluated the Fund’s tax positions and has concluded that the Fund has taken no uncertain tax positions. The Fund recognizes interest and/or penalties related to uncertain tax positions, if any, as income tax expense. No interest and/or penalties were recorded for the years ended December 31, 2019 and 2018 related to uncertain tax positions. As the Fund was established in 2015 but did not commence operations until 2017, open tax years include 2017 through 2019.

Accounting pronouncements recently adopted

In May 2014, the Financial Account Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)*. This guidance requires new and expanded disclosures related to the recognition of revenue and judgments made in determining when and how to recognize revenue related to contracts with customers. This accounting standard became effective for the Fund’s fiscal year ended December 31, 2019. However, the adoption of Topic 606 had no effect on the Fund’s financial reporting as the Fund’s revenue results from contributions, and the FASB excluded contributions from the standard.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The ASU is effective for transactions in which the Fund serves as the resource recipient to annual periods beginning after December 15, 2018 and is effective for transactions in which the Fund serves as a resource provider for annual periods after December 15, 2019. The Fund adopted this update in 2019, including transactions in which the Fund serves as a resource provider under the modified prospective basis. The adoption of this update did not materially impact revenue and support in the financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments (Topic 230)*, which clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments are intended to reduce diversity in practice. This ASU contains additional guidance clarifying when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgment is required to estimate and allocate cash flows) versus when an entity should classify the aggregate amount into one class of cash flows on the basis of predominance. The ASU is

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effective for the Fund's fiscal year 2019. The guidance is effective for the Fund's fiscal year 2019. There was no effect on the change in net assets for the year ended December 31, 2018.

2. Liquidity and Availability of Resources

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date consist of the following:

<i>December 31,</i>	2019	2018
Financial assets, at year-end		
Cash and cash equivalents	\$ 2,963,459	\$ 2,889,332
Grants receivable	1,064,316	880,339
Subrecipient advances	259,788	94,350
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,287,563	\$ 3,864,021

The Fund is funded by a combination of grants and cooperative agreements from governments around the world. The Fund must maintain sufficient resources to meet the responsibilities of its grantors. As part of the Fund's liquidity management, it has a policy to structure its financial assets to be available when its general expenditures, liabilities and other obligations are due.

3. Retirement Plan

The Fund has a defined contribution 401(k) plan covering eligible employees. The Fund offers employees the opportunity to contribute to the 401(k) plan in the first quarter following their date of hire. The Fund matches 100% of the first 3% deferred by the participant. The employer matching contribution is vested immediately. Contributions to the Plan totaled \$24,264 and \$9,464 for the years ended December 31, 2019 and 2018, respectively.

4. Commitments

The Fund leases office space on a year to year basis. The current lease agreement is for the period from January 13, 2020 to January 13, 2021. Rental expense is expected to be \$169,800 for 2020. Rent expense for the year ended December 31, 2019 was \$118,108.

5. Subsequent Events

The Fund has evaluated its December 31, 2019 financial statements for subsequent events through July 30, 2020, the date the financial statements were available to be issued. The Fund is not aware of any subsequent events which would require recognition or disclosure in the financial statements, except as noted below.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin.

End Modern Slavery Initiative Foundation (dba Global Fund to End Modern Slavery)

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On March 11, 2020, the WHO declared COVID-19 a global pandemic. As of the date of issuance, this public health emergency stands to substantially impact the global economy, including significant volatility in the financial markets. COVID-19 pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown.

The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents potential material uncertainty and risk with respect to the Fund, its performance, and its financial results.

On March 27, 2020, the President of the United States signed into law the “Coronavirus Aid, Relief and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

The Fund continues to examine whether the CARES Act may help mitigate the impact of COVID-19 on its financial condition, results of operations or liquidity.