



**UNITED AGAINST HUMAN TRAFFICKING
HOUSTON, TEXAS**

FINANCIAL STATEMENTS

**As of December 31, 2022
With Independent Auditor's Report**

UNITED AGAINST HUMAN TRAFFICKING

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	3 – 4
FINANCIAL STATEMENTS:	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9 – 15



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Independent Auditor's Report

The Board of Directors
United Against Human Trafficking
Houston, Texas

Opinion

We have audited the accompanying financial statements of United Against Human Trafficking (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Against Human Trafficking ("the Organization") as of December 31, 2022, 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. 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 United Against Human Trafficking and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Effect of Adopting New Accounting Standard

As described in Note 1 to the financial statements, the Organization implemented Accounting Standards Update (ASU) No. 2020-07, "Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets." Our opinion is not modified with respect to that matter.

As discussed in Note 1 to the financial statements, the Organization adopted ASU 2016-02, codified as Accounting Standards Codification (ASC) 842, which, among other things, requires the Organization to recognize assets and liabilities for leases with non-cancelable terms. 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 United Against Human Trafficking's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

HEARD, MCELROY & VESTAL, LLC

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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 United Against 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 United Against Human Trafficking's ability to continue as a going concern for a reasonable period of time.

Other Matters

As discussed in Note 1, the Organization's beginning net assets have been adjusted to reflect certain errors in the recognition of prior period liabilities.

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.

Heard, McElroy & Vestal, LLC
Longview, Texas

November 30, 2023

UNITED AGAINST HUMAN TRAFFICKING
STATEMENT OF FINANCIAL POSITION
December 31, 2022

Assets	
Current Assets:	
Cash and cash equivalents	\$ 362,445
Grants and contract receivables	<u>188,802</u>
Total Current Assets	<u>551,247</u>
Property and Equipment:	
Equipment	4,203
Furniture and fixtures	<u>8,502</u>
Total Property and Equipment	12,705
Less: Accumulated depreciation	<u>(12,110)</u>
Net Property and Equipment	<u>595</u>
Other Assets:	
Right-of-use assets	61,022
Prepaid expenses	<u>6,521</u>
Total Other Assets	<u>67,543</u>
Total Assets	<u><u>\$ 619,385</u></u>
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable	\$ 93,876
Accrued liabilities	<u>50,750</u>
Total Current Liabilities	<u>144,626</u>
Long-Term Liabilities:	
Lease obligations	<u>61,022</u>
Net Assets:	
Net assets without donor restrictions	<u>413,737</u>
Total Net Assets	<u>413,737</u>
Total Liabilities and Net Assets	<u><u>\$ 619,385</u></u>

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

UNITED AGAINST HUMAN TRAFFICKING
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

CHANGE IN NET ASSETS:	Without Donor	With Donor	Total
Support and Revenues:	Restrictions	Restrictions	
Government grants	\$ 107,072	\$ 401,792	\$ 508,864
Foundation grants	647,147		647,147
Individual contributions	398,008		398,008
Corporate contributions	92,019		92,019
In-kind revenues	91,080		91,080
Sub-total Support and Revenue	1,335,326	401,792	1,737,118
Net assets released from restrictions	428,561	(428,561)	-0-
Total Support and Revenue	1,763,887	(26,769)	1,737,118
Expenses:			
Program Services	1,237,687		1,237,687
Support Services:			
General and administrative	192,923		192,923
Fundraising	133,512		133,512
Total Support Services	326,435	-0-	326,435
Total Expenses	1,564,122	-0-	1,564,122
Change in Net Assets	199,765	(26,769)	172,996
Net Assets at Beginning of Year	213,972	26,769	240,741
Net Assets at End of Year	\$ 413,737	\$ -0-	\$ 413,737

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

**UNITED AGAINST HUMAN TRAFFICKING
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022**

	<u>Support Services</u>			<u>Totals</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Expenses:				
Consultants	\$ 69,358	\$ 10,080	\$ -0-	79,438
Communications IT	33,353	4,169	4,169	41,691
Depreciation		506		506
Insurance	3,690			3,690
Office expenses and supplies	147,032	18,379	18,379	183,790
Other	14,474	34,183		48,657
Interest expense		5,637		5,637
Salaries, taxes, and benefits	870,741	108,843	108,843	1,088,427
Travel and entertainment	16,964	2,121	2,121	21,206
In-kind	82,075	9,005	-0-	91,080
Total Expenses	\$ 1,237,687	\$ 192,923	\$ 133,512	\$ 1,564,122

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

UNITED AGAINST HUMAN TRAFFICKING
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2022

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 172,996
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	506
Employee retention credit receipt	(107,072)
Change in Operating Assets and Liabilities:	
Grant and other receivables	(55,866)
Prepays	(2,406)
Accounts payable	27,039
Accrued liabilities	<u>(16,008)</u>
Net Cash Provided by Operating Activities	<u>19,189</u>
Cash Flows from Financing Activities:	
Employee retention credit receipt	<u>107,072</u>
Net Cash Provided by Financing Activities	<u>107,072</u>
Net Increase in Cash and Cash Equivalents	126,261
Cash and Cash Equivalents at Beginning of Year	<u>236,184</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 362,445</u></u>

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

UNITED AGAINST HUMAN TRAFFICKING
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 1 – Summary of Significant Accounting Policies:

Basis of Presentation

United Against Human Trafficking (“UAHT”, “we”, or “the Organization”) is a nonprofit, tax-exempt corporation and is classified as a public charity.

Basis of Accounting

The financial statements of UAHT have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Reporting Entity

For financial reporting purposes, UAHT includes all funds, account groups, and agencies that are controlled by or dependent on our Board of Directors. Control by or dependence on the Organization is determined on the basis of budget adoption, revenue and expenditure responsibilities, obligation of the Organization to finance any deficits that may occur, or receipt of significant subsidies by UAHT.

Contracts

UAHT receives significant funding from a state and federal organizations in the form of annual contracts. Contract revenue is recognized in the period expenses stipulated in the contracts have been incurred. Amounts not received for incurred expenses at year-end are accrued as contracts receivable.

Grants Receivable

Grants receivable are stated at unpaid balances. UAHT considers its grants receivable to be fully collectible as of December 31, 2022, no allowance for doubtful accounts is considered necessary. UAHT provides for bad debts when, in the opinion of management, a specific balance become uncollectible.

Donated Goods and Services

Donated goods and services are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. See Note 4 for additional information.

Financial Statement Presentation

UAHT follows the guidance of FASB Codification (FASC) Topic 958. Under FASC Topic 958, we are required to report information regarding our financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent revenues and expenses no longer restricted by the donor in which the Board of Directors have discretionary control to carry out operations of the organization in accordance with its by-laws.

Net assets with donor restrictions represent resources currently available for use or receivable from the donor, but expendable only for those operating purposes specified by the donor.

There were no net assets with donor restrictions remaining as of December 31, 2022.

UNITED AGAINST HUMAN TRAFFICKING
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 1 – Summary of Significant Accounting Policies: (continued)

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions

Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions.

Fair Value Measurements

We measure fair value at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. We apply a hierarchy that prioritizes the information used to develop assumptions used in determining fair value. The hierarchy contains three levels of inputs: Level 1 – quoted prices in active markets for identical assets or liabilities; Level 2 – observable inputs, such as, quoted market prices of similar assets or liabilities in active markets or for identical assets or liabilities in markets that are not active; and Level 3 – unobservable inputs obtained from our own data. Fair value measurement applies whenever other standards require or permit assets or liabilities to be measured at fair value; however, it does not expand the use of fair value in any new circumstances. Fair value measurement does not apply to lower of cost or market determinations for inventory and does not eliminate the practicability exceptions to fair value measurements. We have not chosen to use fair value measurements unless required to do so by applicable accounting standards.

Property and Equipment

Acquisitions of property and equipment are recorded at cost. Expenditures for betterments are capitalized and expenditures for maintenance and repairs are charged to expense as incurred. The fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over a period of estimated useful lives.

Depreciation expense for the year ended December 31, 2022 was \$506.

Property and equipment are reviewed for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of the future undiscounted cash flows produced by the asset, or the appropriate grouping of assets, is compared to the asset's carrying value to determine if any impairment exists pursuant to the requirements of FASC Topic 360 – Property & Equipment. If the asset is determined to be impaired, the impairment loss is measured based on the excess of its carrying value over its fair value.

Federal Income Taxes

We are a not-for-profit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). As a tax-exempt entity, UAHT is required to file Forms 990 and 990-T and pay federal income tax only on unrelated business income. We qualify for the charitable contribution deduction and have been classified as an organization that is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. We are also exempt from state income taxes.

UNITED AGAINST HUMAN TRAFFICKING
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 1 – Summary of Significant Accounting Policies: (continued)

We have not identified any uncertain tax positions requiring recognition in our financial statements and we believe that the positions taken would not require settlement at an amount less than full recognition. We file an information tax return in the U.S. federal jurisdiction. We generally are no longer subject to U.S. federal income tax examinations by tax authorities for years before 2019.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits.

Management of Liquidity

UAHT financial assets available within one year of the Statement of Financial Position for general expenditures are \$551,247 in 2022. As part of the Organization's liquidity management, its policy is to structure financial assets to be available as its general expenditures and other obligations come due.

Functional Allocation of Expenses

UAHT allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. General and administrative expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. Other expenses that are common to several functions are allocated based on estimates by staff.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Among other things, estimates are used in accounting for depreciation, the functional allocation of expenses, and donated services.

Advertising

We expense advertising costs as they are incurred. These expenses, which are insignificant, include media and other promotional and sponsorship costs.

Employee Benefits

UAHT maintains a retirement plan whereby eligible employees can make elective deferrals. The Plan also allows for a discretionary match annually. See Note 5 for additional information.

Recent Accounting Pronouncement

Accounting Standards Update (ASU) No. 2020-07, "Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets" became effective for periods beginning after June 15, 2021. See Note 4 for additional information.

UNITED AGAINST HUMAN TRAFFICKING
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 1 – Summary of Significant Accounting Policies: (continued)

Leases

We adopted the new standard effective January 1, 2022, using the modified retrospective approach which is an option as a practical expedient. ASC 842 is preferable to the previous lease standard, ASC 840, because non-cancelable leases create assets and liabilities that were off balance sheet under ASC 840 but are required to be recorded under ASC 842.

ASC 842 requires lessee companies to present a liability on their balance sheet for the remaining present value of minimum lease payments, along with a corresponding right-of-use asset. At the transition date we recorded a right-of-use asset (operating) and corresponding liabilities of \$103,927. There was a cumulative effect adjustment for adoption of the new standard, but no effect on retained earnings. The implementation of this standard did have a material impact on the financial statements.

We adopted several practical expedients to provide relief with the adoption of ASC 842. Short-term leases, those with a lease term of twelve months or less, are not included on our balance sheet but are expensed on a straight-line basis over the lease term. These leases are not material in nature. We elected to treat lease and non-lease components as a single component for all leases. Non-lease components are costs such as insurance. We elected to use hindsight both in determining the lease term and assessing impairment of right-of-use assets. We also elected the practical expedient package that states we need not reassess whether any expired or existing contracts contain leases, the lease classification for any expired or existing leases, or initial direct costs for any existing leases.

Noncancellable leases that are greater than twelve months are classified as either operating leases or finance leases under ASC 842. A contract must have an identifiable asset and give control to the lessee to be considered a lease. Any contract that meets the definition of a lease under ASC 842 is considered an operating lease unless it meets one of the following five criteria, in which case it is considered a financing lease:

1. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
2. The lease contains an option to purchase the underlying asset, and the lessee is reasonably certain to exercise this option.
3. The lease term is for a major part of the remaining economic life of the asset, even if title isn't transferred.
4. The present value of lease payments equals or exceeds substantially all of the fair value of the underlying asset.
5. The underlying asset is of specialized nature and will have no alternative use to the lessor at the end of the lease term.

Any contract that does not meet the definition of a lease in the new standard is considered a service contract. This could include contracts that are cancelable by the lessee as well as contracts in which the lessor maintains control or the right of use for the underlying asset.

Lease liabilities are recognized at the present value of the remaining minimum lease payments using a discount rate based on similarly secured borrowings available to us. Right-of-use assets are recognized in the same manner but may be adjusted for landlord incentives or initial direct costs. For 2022, the discount rate is 10 percent. Leased assets are tested for impairment similar to long-lived assets.

Options to extend or terminate leases are evaluated annually and included in the lease term if the lessee is reasonably certain to exercise the option. Expenses associated with operating right-of-use assets are recognized on a straight-line basis within operating expenses over the term of the lease. Finance right-of-use assets are amortized over either the estimated useful life of the asset or the contract period, whichever is shorter. The Organization has no finance leases.

UNITED AGAINST HUMAN TRAFFICKING
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 1 – Summary of Significant Accounting Policies: (continued)

See Note 8 for additional disclosures.

Note 2 – Prior Period Correction:

Management has determined that certain liabilities were unrecorded as of December 31, 2021. UAHT's December 31, 2021 net assets were reduced \$55,099 as a result. Unrecorded liabilities consisted of \$42,540 in accrued salaries and \$12,559 in accrued paid time off.

Note 3 – Budgets and Budgetary Accounting:

Grant budgets are adopted by UAHT's Board of Directors prior to applying for and receiving grant funds. The budget is controlled at the program level and may be amended by the Board of Directors during the grant program with prior authorization by the cognizant agency. Various funding sources dictate that it is necessary to have a budget to obtain funding. UAHT is on a cost reimbursement basis with respect to grants. Original budgets are adopted by the Board of Directors prior to the beginning of the budgetary year for unrestricted funds. The budgets are amended during the year, and the final amended budgets are presented in Board financial reports and reports to grantor agencies.

Note 4 – Nonfinancial Contributions:

UAHT utilizes trained volunteers to provide an essential program services. Volunteers receive in-depth training and are then appointed to individual cases by UAHT. For the period ending December 31, 2022, their donated time is recorded as in-kind revenue and expense and it is valued on the financial statements in the amount of \$54,075.

In addition, UAHT also receives nonfinancial contributions. For the year ended December 31, 2022 the value of these nonfinancial contributions were \$16,000 and composed entirely of airfare vouchers. Lastly, the Organization received \$21,000 worth of office rental space in 2022.

The value of all nonfinancial contributions is at fair market value. If possible, all nonfinancial contributions are monetized as soon as administratively possible.

Note 5 – Employee Benefits:

UAHT purchases health insurance for full-time employees. During the fiscal year ending December 31, 2022, \$29,537 was paid on behalf of the employees for health insurance benefits. We have a 403(b) plan covering eligible employees in which employees are encouraged to contribute to the Plan under a salary reduction agreement. We make matching contributions according to Plan provisions.

UNITED AGAINST HUMAN TRAFFICKING
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 6 – Summary of Significant Funding:

UAHT received approximately 23 percent of its revenues from the following contracts with certain agencies for the period ending December 31, 2022:

Agency

Department of Justice (DOJ) – OVC Grant	\$ 289,934
Texas Public Safety Office (TX PSO) – VOCA Grant	101,858
Other Contracts	<u>10,000</u>
Total Contract Funding	\$ <u>401,792</u>

Note 7 – Grant, Donations, and Contracts Receivable:

Receivables consisted of the following at December 31, 2022:

Agency

Change Happens	\$ 56,000
George Foundation	40,000
University of South Florida	22,000
DOJ – OVC Grant	18,619
TX PSO – VOCA Grant	25,183
Other	<u>27,000</u>
Total	\$ <u>188,802</u>

Note 8 – Leases as Lessee:

UAHT leases commercial office space for use in our operations under operating leases and is accounted for under ASC 842. The commercial property lease is for a 14-month duration and is generally considered cancellable with 30 days written notice subsequent to the expiration of original lease terms.

Components of Lease Expense:	<u>2022</u>
Operating lease expense	\$ <u>108,048</u>

Cash payments for amounts included in the measurement of lease liabilities are as follows for the year ended December 31, 2022:

Operating cash flows used in operating leases	\$ <u>108,048</u>
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The aggregate minimum rental commitments under noncancelable leases for the periods shown at December 31, 2022 are as follows:

Years:	<u>Operating</u>
	<u>Leases</u>
2023	\$ 55,632
2024	<u>9,272</u>
Total Minimum Rental Commitments	64,904
Less: Interest	<u>(3,883)</u>
Present Value of Minimum Finance Lease Payments	\$ <u>61,021</u>

UNITED AGAINST HUMAN TRAFFICKING
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

Note 8 – Leases as Lessee: (continued)

As of December 31, 2022, the average remaining lease term for operating leases is 14 months.

Note 9 – Concentrations of Credit Risk:

Financial instruments that subject UAHT to concentrations of credit risk consist primarily of temporary cash. UAHT's policy is to place temporary cash investments with major federally insured financial institutions, to limit the amount of credit exposure to any one financial institution. These accounts periodically maintain balances that exceed insurance coverage. Management believes the risk of incurring material losses relative to this credit risk is remote.

Note 10 – Employee Retention Credit:

Under the American Rescue Plan Act and previously under the Consolidated Appropriations Act, the Organization became eligible to apply for the employee retention tax credits (ERTC). It can be claimed through September 30, 2021 by eligible employers who retained employees during the COVID-19 pandemic. Employers are eligible for the credit if they experienced either a full or partial suspension of operations during any calendar quarter because of governmental orders due to the pandemic or a significant decline in gross receipts based on comparing quarterly revenue results for 2020 and/or 2021.

The ERTC is a refundable credit that the Organization can claim on qualified wages paid to employees, including certain health insurance costs. The Organization filed a refund claim for \$126,392 with the Internal Revenue. This refund claim was submitted and received during the 2022 fiscal year.

Note 11 – Subsequent Events:

We have evaluated subsequent events through November 30, 2023, the date which the financial statements were available to be issued. No subsequent events occurred which require adjustment to or disclosure to the financial statements at December 31, 2022.