

Abolition International Inc.

**Financial Statements
December 31, 2013 and
Independent Auditors' Report**

ABOLITION INTERNATIONAL INC.
December 31, 2013

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To the Board of Trustees
Abolition International Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Abolition International Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abolition International as of December 31, 2013, 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.

October 17, 2014
Cincinnati, Ohio

ABOLITION INTERNATIONAL INC.

**Statement of Financial Position
December 31, 2013**

Assets

Cash	\$ 42,081
Other assets	<u>10,540</u>
Total assets	<u><u>\$ 52,621</u></u>

Liabilities and Net Assets

Accrued expenses	\$ 2,382
Unrestricted net assets	<u>50,239</u>
Total liabilities and net assets	<u><u>\$ 52,621</u></u>

See accompanying notes to financial statements

ABOLITION INTERNATIONAL INC.

**Statement of Activities
Year Ended December 31, 2013**

Unrestricted revenues and other support	
Contributions	\$ 501,009
Other income	<u>45,112</u>
Total unrestricted revenues and other support	<u>546,121</u>
Expenses	
Program	303,892
Management and general	149,084
Fundraising	<u>127,479</u>
Total expenses	<u>580,456</u>
Change in net assets	(34,335)
Unrestricted net assets, beginning of year	<u>84,574</u>
Unrestricted net assets, end of year	<u><u>\$ 50,239</u></u>

See accompanying notes to financial statements

ABOLITION INTERNATIONAL INC.

**Statement of Functional Expenses
Year Ended December 31, 2013**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 75,648	\$ 48,297	\$ 59,140	\$ 183,085
Purchased services	67,972	59,098	3,396	130,466
Grants	103,911	-	-	103,911
Travel	30,203	8,170	8,621	46,994
Other	4,393	21,682	4,434	30,509
Event expense	-	-	25,520	25,520
Conferences, conventions, and meetings	15,136	-	-	15,136
Victim and artist tour support	-	-	15,000	15,000
Payroll taxes	5,787	3,695	4,524	14,006
Advertising and promotion	762	103	6,506	7,371
Office expenses	80	4,540	338	4,958
Occupancy	-	3,500	-	3,500
	<u>\$ 303,892</u>	<u>\$ 149,084</u>	<u>\$ 127,479</u>	<u>\$ 580,456</u>

See accompanying notes to financial statements

ABOLITION INTERNATIONAL INC.

**Statement of Cash Flows
Year Ended December 31, 2013**

Cash flows from operating activities	
Change in net assets	\$ (34,335)
Change in:	
Other assets	4,298
Accrued expenses	<u>1,367</u>
Net cash used in operating activities	(28,670)
Cash, beginning of year	<u>70,751</u>
Cash, end of year	<u><u>\$ 42,081</u></u>

See accompanying notes to financial statements

ABOLITION INTERNATIONAL INC.

Notes to Financial Statements

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Abolition International Inc. (the Organization) was established to support short-term and long-term rehabilitative centers in the United States and abroad. These centers are designed to specifically aid human trafficking victims and will provide shelter, education, counseling and case management services.

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restriction; temporarily restricted net assets which have donor-imposed restrictions that will expire in the future; and permanently restricted net assets which have donor-imposed restriction which do not expire. There were no temporarily or permanently restricted net assets at December 31, 2013.

Cash

Abolition International maintains cash in bank deposit accounts which may, at times, exceed federally insured limits. Abolition International has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Contributions

Abolition International records gifts of cash and other assets at their fair value as of the date of contribution. Such donations are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, The Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of Tennessee law. Abolition International is subject to federal income tax on any unrelated business taxable income.

Abolition International's IRS Form 990 is subject to review and examination by Federal and state authorities. Abolition International believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements. The Organization is generally no longer subject to examination by tax authorities for years before 2010.

ABOLITION INTERNATIONAL INC.

Notes to Financial Statements (Continued)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses have been classified based upon the actual direct expenditures and cost allocations based upon estimates of time spent by Abolition International personnel.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Event Evaluation

In preparing the financial statements, Abolition International evaluates events subsequent to the statement of financial position date through October 17, 2014, which is the date the financial statements were available to be issued.

NOTE 2 SUBSEQUENT EVENTS

Effective July 15, 2014, the Organization began leasing office space under a non-cancellable operating lease expiring July 15, 2017. Future minimum lease payments are as follows: \$15,000 – 2014; \$30,000 – 2015; \$30,000 – 2016; and \$15,000 – 2017.