

END SLAVERY TENNESSEE

FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2020

And Report of Independent Auditor

END SLAVERY TENNESSEE
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1-2

FINANCIAL STATEMENTS

 Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis 3

 Statement of Revenues, Expenses, and Other Changes in Net Assets – Modified Cash Basis 4

 Statement of Functional Expenses – Modified Cash Basis 5

 Notes to the Financial Statements 6-9

Report of Independent Auditor

To the Board of Directors
End Slavery Tennessee
Nashville, Tennessee

We have audited the accompanying financial statements of End Slavery Tennessee (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2020, and the related statements of revenues, expenses, and other changes in net assets – modified cash basis and functional expenses – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 assets, liabilities, and net assets of End Slavery Tennessee as of December 31, 2020, and its revenues, expenses, and other changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As described in Note 8 to the financial statements, the outbreak of a novel coronavirus (COVID-19) was declared a global pandemic by the World Health Organization in March 2020. Given the uncertainty of the situation, the duration of the business disruption and the related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.



Nashville, Tennessee
March 3, 2021

END SLAVERY TENNESSEE
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS —
MODIFIED CASH BASIS

DECEMBER 31, 2020

ASSETS

Current Assets:

Cash and cash equivalents	\$ 888,313
Prepaid rent	15,007
Total Current Assets	903,320

Security deposits	6,983
Property and equipment, net	299,784
Total Assets	\$ 1,210,087

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable - credit cards	\$ 6,243
Deferred revenue	161,141
Total Liabilities	167,384

Net Assets:

Without donor restrictions	1,042,703
Total Net Assets	1,042,703
Total Liabilities and Net Assets	\$ 1,210,087

END SLAVERY TENNESSEE**STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS —
MODIFIED CASH BASIS***YEAR ENDED DECEMBER 31, 2020*

Changes in Net Assets:**Revenues:**

Grants	\$ 542,799
Contributions	619,656
Fundraising events - net of expenses of \$34,060	162,602
Rental income	6,619
Product sales	42
Interest income	70
Total Revenues	<u>1,331,788</u>

Expenses:

Salaries and benefits	957,405
Occupancy cost	203,466
Client expenses	74,489
Professional fees	69,172
Insurance	16,861
Computer and software	17,689
Depreciation	22,995
Fees	9,526
Miscellaneous	7,465
Marketing and publicity	6,701
Training	4,683
Travel	2,250
Donor development	2,742
Vehicle expenses	3,961
Meals	331
Mailings and postage	242
Total Expenses	<u>1,399,978</u>

Change in net assets - modified cash basis	(68,190)
Net assets - modified cash basis, December 31, 2019	<u>1,110,893</u>
Net assets - modified cash basis, December 31, 2020	<u><u>\$ 1,042,703</u></u>

END SLAVERY TENNESSEE

STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2020

	Program Services					Supporting Services			
	Aftercare	Advocacy	Prevention	Training	Safe House	Total Program Expenses	Management and General	Fundraising	Total Expenses
Salaries and benefits	\$ 397,342	\$ 130,189	\$ 47,970	\$ 60,228	\$ -	\$ 635,729	\$ 154,684	\$ 166,992	\$ 957,405
Occupancy cost	78,968	25,934	9,271	11,865	1,200	127,238	41,195	35,033	203,466
Client expenses	57,827	-	-	-	16,662	74,489	-	-	74,489
Professional fees	-	7,767	-	-	-	7,767	46,567	14,838	69,172
Insurance	-	-	-	-	-	-	20,646	(3,785)	16,861
Computer and software	3,600	-	-	948	-	4,548	4,493	8,648	17,689
Depreciation	7,416	-	-	4,400	6,651	18,467	4,528	-	22,995
Fees	2,811	1,600	-	302	39	4,752	2,928	1,846	9,526
Miscellaneous	213	-	-	-	-	213	7,252	-	7,465
Marketing and publicity	112	5,581	-	-	-	5,693	-	1,008	6,701
Training	3,958	-	-	551	-	4,509	174	-	4,683
Travel	145	369	-	437	-	951	618	681	2,250
Donor development	-	81	-	-	-	81	13	2,648	2,742
Vehicle expenses	3,961	-	-	-	-	3,961	-	-	3,961
Meals	-	123	-	19	-	142	183	6	331
Mailings and postage	-	-	-	-	-	-	132	110	242
Total Expenses	<u>\$ 556,353</u>	<u>\$ 171,644</u>	<u>\$ 57,241</u>	<u>\$ 78,750</u>	<u>\$ 24,552</u>	<u>\$ 888,540</u>	<u>\$ 283,413</u>	<u>\$ 228,025</u>	<u>\$ 1,399,978</u>

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

END SLAVERY TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 1—Nature of activities and summary of significant accounting policies

Nature of Activities – End Slavery Tennessee (the “Organization”), was incorporated as a Tennessee nonprofit corporation during 2012. The Organization’s mission is to promote healing of human trafficking survivors and strategically confront slavery in Tennessee.

Basis of Presentation – The Organization prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, support and revenue are recognized when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred. Modifications to the cash basis of accounting include the recording of property and equipment and related depreciation, prepaid rent, security deposits, deferred revenue, and certain credit card liabilities.

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. None of the Organization’s net assets had donor-imposed restrictions at December 31, 2020.

Contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are restricted for future periods or for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statement of revenues, expenses, and other changes in net assets – modified cash basis as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions.

Cash and Cash Equivalents – The Organization considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment – Property and equipment is recorded at cost. Depreciation is computed over the estimated useful lives of depreciable assets using the straight-line method. The estimated useful lives of property and equipment range from 5 to 39 years.

Volunteer Services – A number of unpaid volunteers have made significant contributions of their time to develop and implement the Organization’s programs. No amounts have been recognized in the statement of revenues, expenses, and other changes in net assets – modified cash basis because the criteria for recognition have not been met.

END SLAVERY TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 1—Nature of activities and summary of significant accounting policies (continued)

Advertising – Advertising costs are charged to expense as paid. Advertising expense totaled \$242 during the year ended December 31, 2020.

Income Taxes – The Organization has qualified as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to federal income tax. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification guidance concerning the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. There are no tax penalties or interest reported in the accompanying financial statements.

Use of Estimates – The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Functional Expenses – The costs of providing programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services. Such allocations are determined by management on an equitable basis. Expenses that are allocated consisted primarily of salaries and benefits which were allocated based on time and effort.

Subsequent Events – The Organization evaluated subsequent events through March 3, 2021, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of assets, liabilities, and net assets – modified cash basis date but prior to the filing of this report that would have a material impact on the financial statements.

Note 2—Liquidity and availability of resources

The Organization has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission.

The table below represents financial assets available for general expenditures within one year at December 31, 2020:

Financial assets:

Cash and cash equivalents	\$ 888,313
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 888,313</u>

END SLAVERY TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 3—Property and equipment, net

Property and equipment consists of the following as of December 31, 2020:

Land	\$ 49,569
Buildings and improvements	223,281
Vehicle	37,080
Leasehold improvements	22,642
Training video	22,000
	<hr/>
	354,572
Less accumulated depreciation	(54,788)
	<hr/>
	<u>\$ 299,784</u>

Note 4—Concentrations

The Organization maintains its cash in bank accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation. Management believes the Organization is not exposed to any significant credit risk on cash. The uninsured balance at December 31, 2020 totaled \$503,351.

Note 5—Operating leases

During 2017, the Organization entered into an operating lease for rental of office space. This lease commenced July 1, 2017, originally expired June 30, 2022, and required monthly rental payments ranging from approximately \$8,500 to \$9,600 over the term of the lease. During 2019, the Organization negotiated a new lease contract to expand office space. This lease commenced on January 1, 2020, for a term of 60 months and requires monthly rental payments ranging from approximately \$13,200 to \$16,200. Lease expense for this office space totaled \$158,561 for the year ended December 31, 2020.

Future minimum lease payments required under these operating leases as of December 31, 2020 are as follows:

Years Ending December 31,

2021	\$ 180,090
2022	184,590
2023	189,198
2024	193,914
	<hr/>
	<u>\$ 747,792</u>

END SLAVERY TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

Note 6—Fundraising events

The Organization holds multiple events to serve as fundraisers for the support of the Organization and its mission. The event revenues consisting of contributions, admission fees, and sponsorships totaled \$196,662 for the year ended December 31, 2020. The related event expenses totaled \$34,060 for the year ended December 31, 2020.

Note 7—Deferred revenue

The Organization received a Paycheck Protection Program (“PPP”) loan in the amount of \$161,141. The PPP loan is granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. PPP loans are considered conditional contributions under ASC 958-605, Not-for-Profit Entities – Revenue Recognition. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization has deferred recognition of this revenue for the year ended December 31, 2020, because the conditions for forgiveness had not yet been substantially met.

Note 8—Uncertainty

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or “stay-at-home” restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally.

While it is unknown how long these conditions will last and what the complete financial impact will be, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of the Organization’s operations and are unable at this time to predict the continued impact that COVID-19 will have on their operations in the future due to numerous uncertainties.