END SLAVERY TENNESSEE

FINANCIAL STATEMENTS

June 30, 2017 and 2016

END SLAVERY TENNESSEE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
End Slavery Tennessee
Nashville, Tennessee

We have audited the accompanying financial statements of End Slavery Tennessee (a nonprofit organization), which comprise the statements of assets, liabilities and net assets – modified cash basis as of June 30, 2017 and 2016, and the related statements of revenues, expenses and other changes in net assets – modified cash basis 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 assets, liabilities and net assets of End Slavery Tennessee as of June 30, 2017 and 2016, and its revenues, expenses and other changes in net assets for the years 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.

Frasier, Dean & Howard, PLLC

Nashville, Tennessee
August 22, 2017

END SLAVERY TENNESSEE
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	$ 692,316	$ 393,674
Employee advances	517	-
Certificate of deposit	-	275,000
Total current assets	692,833	668,674
Security deposits	17,538	3,005
Total assets	$ 710,371	$ 671,679
Liabilities and Net Assets		
Current liabilities:		
Accounts payable - credit card	$ 9,405	$ 10,199
Total liabilities	9,405	10,199
Net assets:		
Unrestricted:		
Undesignated	385,613	346,127
Board-designated	315,353	315,353
Total unrestricted net assets	700,966	661,480
Total liabilities and net assets	$ 710,371	$ 671,679

See accompanying notes.

END SLAVERY TENNESSEE
STATEMENTS OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS
For the Years Ended June 30, 2017 and 2016

	2017	2016
Changes in net assets:		
Revenues:		
Contributions	$ 531,241	$ 734,835
Fundraising events - net of expenses of $60,967 and $51,283 in 2017 and 2016, respectively	406,868	170,178
Grants	56,385	158,962
Product sales	784	1,106
Interest Income	555	-
Total revenues	995,833	1,065,081
Expenses:		
Salaries and benefits	518,227	367,298
Client expenses	202,555	95,082
Rent	90,595	48,208
Professional fees	52,150	6,945
Fees	18,848	9,630
Travel	17,534	8,958
Insurance	12,490	10,769
Marketing and publicity	10,225	10,140
Auto expense	8,421	5,594
Computer and software	7,864	13,057
Miscellaneous	7,330	8,338
Training	3,968	3,895
Mailings and postage	3,549	2,874
Meals	1,772	2,419
Products for sale	599	1,005
Fundraising	220	2,602
Total expenses	956,347	596,814
Change in net assets - modified cash basis	39,486	468,267
Net assets - beginning of year, unrestricted	661,480	193,213
Net assets - end of year, unrestricted	$ 700,966	$ 661,480

See accompanying notes.

END SLAVERY TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – 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 a certificate of deposit, security deposits, 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:

> Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. However, such assets may be designated by the Organization's Board of Directors for certain activities.
>
> Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
>
> Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

All contributions are considered to be available for use unless specifically restricted by the donor. Donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses and other changes in net assets – modified cash basis as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. At June 30, 2017 and 2016, the Organization had no temporarily or permanently restricted net assets.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Advertising

Advertising costs are charged to expense as incurred. Advertising expense totaled $10,225 and $10,140 during the years ended June 30, 2017 and 2016, respectively.

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 ("FASB ASC") 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 fifty percent 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.

Subsequent Events

The Organization evaluated subsequent events through August 22, 2017, when these financial statements were available to be issued. Except as discussed in Note 7, 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 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Organization has adopted the fair value measurement topic of the FASB ASC, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include the following:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no changes in the Organization's valuation techniques during 2017 and 2016. A description of the valuation methodologies used for assets measured at fair value is as follows:

Certificate of deposit: Valued at the net asset value held by the Organization at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization held a certificate of deposit, considered a Level 1 investment, valued at $275,000 at June 30, 2016. The certificate of deposit matured in September 2016.

NOTE 3 – BOARD DESIGNATED NET ASSETS

The Board of Directors has placed voluntary designations on certain unrestricted net assets. Board designated net assets are available for the following purposes at June 30:

	2017	2016
Future office space buildout	$ 275,353	$ 275,353
Lobbyist	40,000	40,000
	$ 315,353	$ 315,353

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 ("FDIC"). Management believes the Organization is not exposed to any significant credit risk on cash. The uninsured balance at June 30, 2017 and 2016 totaled $424,664 and $380,863, respectively.

The Organization receives support from various foundations, corporate and individual donors. During the years ended June 30, 2017 and 2016, the Organization received $318,500, approximately 32% of revenues from two grantors and $321,918, approximately 30% of revenues from one grantor, respectively. A reduction in such amounts could have a significant effect on the Organization's activities.

NOTE 5 – OPERATING LEASES

The Organization conducts its operations from office space under an operating lease. The lease in effect during the year ended June 30, 2017 expired July 11, 2016, and currently operates on a month-to-month basis. Lease expense for this office space totaled $63,905 and $37,377 for the years ended June 30, 2017 and 2016, respectively.

During 2017, the Organization entered into a lease for new office space. This lease commenced July 1, 2017, expires June 30, 2022, and requires monthly rental payments ranging from $8,557 to $9,634 over the term of the lease.

The Organization also rents two safe houses under operating leases for the purpose of housing trafficking victims. These leases currently expire May 31, 2018. Rent expense for the safe houses totaled $80,361 and $14,506 for the years ended June 30, 2017 and 2016, respectively.

NOTE 5 – OPERATING LEASES (Continued)

Future minimum lease payments required under these operating leases as of June 30, 2017 are as follows:

Year ending June 30,	
2018	$ 166,490
2019	105,796
2020	108,969
2021	112,238
2022	115,605
	$ 609,098

NOTE 6 – FUNDRAISING EVENTS

The Organization holds multiple events throughout the year to serve as fundraisers for the support of the Organization and its mission. The event revenues consisting of contributions, admission fees, and sponsorships totaled $467,835 and $221,461 for the years ended June 30, 2017 and 2016, respectively. The related event expenses totaled $60,967 and $51,283 for the years ended June 30, 2017 and 2016, respectively.

NOTE 7 – SUBSEQUENT EVENT

Subsequent to June 30, 2017, the Organization purchased a home for the purpose of housing trafficking victims.