END SLAVERY TENNESSEE

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2018 and 2017

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

END SLAVERY TENNESSEE

TABLE OF CONTENTS

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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 June 30, 2018, and the related statement of revenues, expenses and other changes in net assets – 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 June 30, 2018, 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.

Prior Period Financial Statements

The financial statements as of June 30, 2017, were audited by other auditors whose report dated August 22, 2017, expressed an unmodified opinion on those statements.

Cherry Bekaert LLP

Nashville, Tennessee
September 7, 2018

END SLAVERY TENNESSEE

STATEMENTS OF NET ASSETS, LIABILITIES, AND NET ASSETS — MODIFIED CASH BASIS

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 470,272	$ 692,316
Employee advances	-	517
Prepaid rent	8,816	-
Total Current Assets	479,088	692,833
Security deposits	12,783	17,538
Property and equipment, net	286,346	-
Total Assets	$ 778,217	$ 710,371
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable - credit card	$ 230	$ 9,405
Net Assets:		
Unrestricted:		
Undesignated	777,987	385,613
Board designated	-	315,353
Total Unrestricted Net Assets	777,987	700,966
Total Liabilities and Net Assets	$ 778,217	$ 710,371

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

END SLAVERY TENNESSEE

STATEMENTS OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS — MODIFIED CASH BASIS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Changes in Net Assets:		
Revenues:		
Contributions	$ 633,881	$ 531,241
Fundraising events - net of expenses of $143,960 and $60,967 in 2018 and 2017, respectively	193,650	406,868
Grants	438,408	56,385
Product sales	92	784
Rental income	2,220	-
Interest Income	95	555
Total Revenues	1,268,346	995,833
Expenses:		
Salaries and benefits	705,270	518,227
Client expenses	202,140	202,555
Rent	145,117	90,595
Professional fees	28,394	52,150
Depreciation	11,135	-
Fees	8,314	18,848
Travel	10,941	17,534
Insurance	30,931	12,490
Marketing and publicity	4,085	10,225
Auto expense	3,202	8,421
Computer and software	18,499	7,864
Miscellaneous	11,701	7,330
Training	3,453	3,968
Mailings and postage	1,937	3,549
Meals	1,992	1,772
Products for sale	-	599
Fundraising	4,214	220
Total Expenses	1,191,325	956,347
Change in net assets - modified cash basis	77,021	39,486
Net assets, beginning of year, unrestricted	700,966	661,480
Net assets, end of year, unrestricted	$ 777,987	$ 700,966

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 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 statements 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, 2018 and 2017, 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.

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.

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

Advertising – Advertising costs are charged to expense as incurred. Advertising expense totaled $4,085 and $10,225 during the years ended June 30, 2018 and 2017, 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 ("FASB") Accounting Standards Codification ("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 September 7, 2018, 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—Property and equipment

Property and equipment consists of the following as of June 30:

	2018	2017
Land	$ 49,569	$ -
Buildings	210,832	-
Vehicle	37,080	-
	297,481	-
Less accumulated depreciation	(11,135)	-
	$ 286,346	$ -

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:

	2018	2017
Future capital purchases	$ -	$ 275,353
Lobbyist	-	40,000
	$ -	$ 315,353

During the year ended June 30, 2018, all board restricted funds were used in the purchase of a van, new safe house, and related improvements.

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 June 30, 2018 and 2017, totaled $204,331 and $424,664, respectively.

The Organization receives support from various foundations, corporate and individual donors. During the years ended June 30, 2018 and 2017, the Organization received $239,672, approximately 19% of revenues from two grantors and $318,500, approximately 32% of revenues from two grantors, 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 operated on a month-to-month basis. Lease expense for this office space totaled $63,905 for the year ended June 30, 2017.

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. Lease expense for this office space totaled $98,243 for the year ended June 30, 2018.

The Organization also rents two safe houses under operating leases for the purpose of housing trafficking victims. These leases expired May 31, 2018. Rent expense for the safe houses totaled $63,800 and $80,361 for the years ended June 30, 2018 and 2017, respectively.

Note 5—Operating leases (continued)

Future minimum lease payments required under these operating leases as of June 30, 2018, are as follows:

Years Ending June 30,		
2019	$	105,796
2020		108,969
2021		112,238
2022		115,605
	$	442,608

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 $337,610 and $467,835 for the years ended June 30, 2018 and 2017, respectively. The related event expenses totaled $143,960 and $60,967 for the years ended June 30, 2018 and 2017, respectively.