

# **Nashville Anti-Human Trafficking Coalition, Inc.**

Financial Statements  
For the Year Ended December 31, 2022

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For the Year Ended December 31, 2022

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## Independent Auditor's Report

Board of Directors  
Nashville Anti-Human Trafficking Coalition, Inc.

### Opinion

We have audited the financial statements of Nashville Anti-Human Trafficking Coalition, Inc. (the Coalition), which comprise the statement of financial position as of December 31, 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Coalition 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 (GAAS). 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 the Coalition and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 the Coalition's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### 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 GAAS 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 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 GAAS, 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 the Coalition'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 the Coalition's ability to continue as a going concern for a reasonable period of time.

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.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Mt. Juliet, Tennessee  
June 26, 2023

# Nashville Anti-Human Trafficking Coalition, Inc.

## Statement of Financial Position

December 31, 2022

### Assets

#### Current assets

Cash	\$ 919,478
Investments	1,249,482
Contributions receivable	35,425
Prepaid expenses and other current assets	<u>10,082</u>
Total current assets	2,214,467

Property and equipment, net	259,774
Finance lease right of use asset, net	1,872,194
Other assets	<u>1,800</u>
Total assets	<b>\$ 4,348,235</b>

### Liabilities and Net Assets

#### Current liabilities

Accounts payable	\$ 4,137
Finance lease liability, current portion	27,474
Deferred revenue	<u>711,125</u>
Total current liabilities	742,736

Finance lease liability, net of current portion	<u>2,023,297</u>
Total liabilities	2,766,033

#### Net assets

Without donor restrictions	1,499,279
With donor restrictions	<u>82,923</u>
Total net assets	<u>1,582,202</u>

Total liabilities and net assets	<b>\$ 4,348,235</b>
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# Nashville Anti-Human Trafficking Coalition, Inc.

## Statement of Activities

For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
<b>Support and Revenues</b>			
Contributions of cash and other financial assets	\$ 458,197	\$ 305,900	\$ 764,097
Contributions of nonfinancial assets	15,346	-	15,346
Special events, net of direct benefit to donors of \$25,776	764,803	-	764,803
Grants	-	488,875	488,875
Investment income	10,076	-	10,076
Interest and other income	8,524	-	8,524
Net assets released from restrictions	<u>736,852</u>	<u>(736,852)</u>	<u>-</u>
Total support and revenues	1,993,798	57,923	2,051,721
<b>Expenses</b>			
Program services	391,369	-	391,369
Supporting services			
Management and general	413,328	-	413,328
Fundraising	<u>220,132</u>	<u>-</u>	<u>220,132</u>
Total expenses	1,024,829	-	1,024,829
Change in net assets	968,969	57,923	1,026,892
Net assets, beginning of year	<u>530,310</u>	<u>25,000</u>	<u>555,310</u>
Net assets, end of year	<b>\$ 1,499,279</b>	<b>\$ 82,923</b>	<b>\$ 1,582,202</b>

# Nashville Anti-Human Trafficking Coalition, Inc.

## Statement of Functional Expenses For the Year Ended December 31, 2022

	<b>Program services</b>						
	<b>Rescue</b>	<b>Restore</b>	<b>Other programs</b>	<b>Total program services</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and wages	\$ 66,532	\$ 36,255	\$ -	\$ 102,787	\$ 144,660	\$ 165,334	\$ 412,781
Amortization	35,360	35,360	35,360	106,080	106,079	-	212,159
Depreciation	-	-	-	-	34,832	-	34,832
Facilities	8,417	8,417	8,417	25,251	20,215	-	45,466
Interest	4,403	4,403	4,403	13,209	13,209	-	26,418
Marketing	-	-	-	-	155	50,617	50,772
Office	16,319	7,533	7,280	31,132	40,487	10	71,629
Printing and postage	2,374	2,374	2,374	7,122	7,210	1,885	16,217
Professional fees	6,029	6,029	6,029	18,087	18,088	-	36,175
Program classes	-	31,140	-	31,140	-	-	31,140
Survivor care	4,983	4,894	-	9,877	-	-	9,877
Technology	1,610	1,610	1,610	4,830	5,264	-	10,094
Training and development	1,643	1,643	1,887	5,173	14,036	-	19,209
Transitional housing	22,893	561	-	23,454	-	-	23,454
Travel	3,661	9,566	-	13,227	9,093	2,286	24,606
	<b>\$ 174,224</b>	<b>\$ 149,785</b>	<b>\$ 67,360</b>	<b>\$ 391,369</b>	<b>\$ 413,328</b>	<b>\$ 220,132</b>	<b>\$ 1,024,829</b>

**Nashville Anti-Human Trafficking Coalition, Inc.**Statement of Cash Flows  
For the Year Ended December 31, 2022

Cash, beginning of year	\$ 507,004
<b>Cash flows from operating activities</b>	
Change in net assets	1,026,892
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	34,832
Contributions restricted for purchase of property and equipment	(305,900)
Unrealized gain on investments	(10,076)
Noncash lease expense	212,159
Change in:	
Contributions receivable	(12,522)
Prepaid expenses and other current assets	(2,596)
Accounts payable	3,311
Deferred revenue	711,125
Net cash provided (used) by operating activities	1,657,225
<b>Cash flows from investing activities</b>	
Purchase of property and equipment	(277,663)
Purchase of investments	(1,239,406)
Net cash provided (used) by investing activities	(1,517,069)
<b>Cash flows from financing activities</b>	
Collections of contributions restricted for purchase of property and equipment	305,900
Principal payments on finance leases	(33,582)
Net cash provided (used) by financing activities	272,318
Net change in cash	412,474
Cash, end of year	<b>\$ 919,478</b>



# Nashville Anti-Human Trafficking Coalition, Inc.

## Notes to Financial Statements For the Year Ended December 31, 2022

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### Note 1. Summary of Significant Accounting Policies

#### Nature of Organization

Nashville Anti-Human Trafficking Coalition, Inc. (the Coalition) is a nonprofit dedicated to helping victims of human trafficking become survivors by inspiring hope that leads to lasting emotional, spiritual, and financial freedom.

#### Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

#### Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Financial Statement Presentation

Financial statement presentation is reported in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) for *Presentation of Financial Statements, Not-for-Profit Entities*. Under these provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions 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 Coalition. These net assets may be used at the discretion of the Coalition's management and the Board of Advisors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Coalition or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

#### Cash

The Coalition defines its cash to include only amounts held in banks. There were no cash equivalents at December 31, 2022.

#### Property and Equipment

Property and equipment are recorded at acquisition cost, if purchased, or the fair value on the date received, if donated. The cost of routine maintenance and repairs is expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 15 years.

# Nashville Anti-Human Trafficking Coalition, Inc.

## Notes to Financial Statements For the Year Ended December 31, 2022

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### Note 1. Summary of Significant Accounting Policies

#### Fair Value

Management has adopted the *Fair Value Measurements and Disclosures* topic of the FASB ASC for determining fair value of financial assets and liabilities that are required to be carried at such amounts. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive

#### Deferred Revenue

The State Appropriation Grant received by the Coalition is restricted for use in programs, to launch a social enterprise, and to purchase a campus for the benefit of the Coalition's clients. As of December 31, 2022, approximately \$700,000 is accounted for in deferred revenue and included as part of cash as those funds have not yet been expended. The Coalition has until June 30, 2023 to either use the funds or surrender them back to the state of Tennessee, inclusive of any interest.

#### Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

#### Contributions of Nonfinancial Assets (New Accounting Standard Adopted in 2022)

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was adopted by the Coalition on January 1, 2022.

Contributed goods and assets are recorded at estimated fair market value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Contributed services are reflected in the financial statements at the estimated fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

# Nashville Anti-Human Trafficking Coalition, Inc.

## Notes to Financial Statements

For the Year Ended December 31, 2022

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### Note 1. Summary of Significant Accounting Policies

#### Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis. All allocations in the statement of functional expenses are based on management's estimate of time and effort spent.

#### Income Taxes

The Coalition is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business activities. Accordingly, no provision for income tax has been made. US GAAP requires the Coalition's management to evaluate tax positions taken by the Coalition and recognize a tax liability (or an asset) if the Coalition has taken an uncertain position that more likely than not would not be sustained upon examinations by the Internal Revenue Service. Management has analyzed the tax positions of the Coalition and has concluded that, as of December 31, 2022, no uncertain positions have been taken or are expected to be taken that would require recognition of a liability (or an asset) or disclosure in the financial statements. The Coalition is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

#### Leases (New Accounting Standard Adopted in 2022)

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among entities related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Coalition adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Coalition's historical accounting treatment under ASC Topic 840, *Leases*.

The Coalition elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Coalition does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Coalition has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Coalition determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Coalition obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Coalition also considers whether its service arrangements include the right to control the use of an asset.

# Nashville Anti-Human Trafficking Coalition, Inc.

## Notes to Financial Statements For the Year Ended December 31, 2022

### Note 1. Summary of Significant Accounting Policies

#### Leases (New Accounting Standard Adopted in 2022)

The Coalition made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Coalition made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred.

The Coalition has made an accounting policy election to use the risk-free rate as the discount rate if the rate implicit in the lease is not readily determinable. The risk-free rate is the rate of a zero-coupon US Treasury instrument for the same period as the time of the lease term.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Coalition's operating leases of approximately \$2,120,000 at January 1, 2022. The adoption of the new lease standard did not materially impact net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

### Note 2. Availability and Liquidity

The following represents the Coalition's financial assets:

Financial assets	
Cash	\$ 919,478
Investments	1,249,482
Contributions receivable	<u>35,425</u>
Total financial assets	2,204,385
Less: amounts not available to be used within one year	
Net assets with donor restrictions	<u>82,923</u>
Financial assets available to meet general expenditures within the next 12 months	\$ 2,121,462

As part of the Coalition's liquidity management, it has a policy to structure its financial assets to be available to meet its general expenditures, liabilities, and other obligations become due.

## Nashville Anti-Human Trafficking Coalition, Inc.

### Notes to Financial Statements For the Year Ended December 31, 2022

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#### Note 3. **Concentrations**

The Coalition maintains its cash in bank accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At year-end, cash in excess of FDIC limit amounts was approximately \$24,000. The Coalition has not experienced any losses in such accounts.

The Coalition received a \$1.2 million grant for the year ended December 31, 2022, from a contract with the state of Tennessee. A significant reduction in this support could have an adverse effect on the Coalition's activities. The Coalition received these funds in advance and maintains these funds in a separate account as required by the grant.

#### Note 4. **Investments**

Investments are reported at fair value on a recurring basis determined by reference to quoted market prices in active markets for similar assets (Level 2).

Fair value of investments consists of government securities totaling \$1,249,482.

Investment income consists of unrealized gains totaling \$10,076.

#### Note 5. **Property and Equipment**

A summary of property and equipment is as follows:

Furniture and equipment	\$ 29,325
Leasehold improvements	<u>268,030</u>
	297,355
Less: accumulated depreciation	<u>(37,581)</u>
	<b>\$ 259,774</b>

Depreciation for the year ended was \$34,832.

#### Note 6. **Net Assets with Donor Restrictions**

Net assets with donor restrictions are amounts donated for capital expenditures totaling \$82,923.

#### Note 7. **Contributions of Nonfinancial Assets**

Contributions of nonfinancial assets consisted of flooring provided by a donor for the Coalition's building, totaling \$15,346. The contributed flooring was valued at quoted market prices as provided by the donor. Unless otherwise noted, the Coalition did not recognize any contributions of nonfinancial assets with donor-imposed restrictions.

#### Note 8. **Leases and Related Parties**

The Coalition has a lease agreement with an organization owned by a board member for office space located in Nashville, Tennessee. The five-year lease commenced on December 15, 2021 and contains both renewal options and an option to purchase. During the initial lease term, the Coalition is eligible to purchase the facility for \$1,964,000. If the renewal option is exercised, then the purchase price shall be \$2,160,000. The Coalition intends to exercise the purchase option within the initial lease term.

## Nashville Anti-Human Trafficking Coalition, Inc.

### Notes to Financial Statements For the Year Ended December 31, 2022

#### Note 8. Leases and Related Parties

Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows:

Finance lease cost, amortization of right-of-use assets	\$	212,159
Finance lease cost, interest on lease liability		<u>26,418</u>
Total lease cost	\$	<b>238,577</b>

Supplemental statement of financial position information related to the lease is as follows:

Finance lease		
Building	\$	2,121,588
Accumulated amortization		<u>(249,394)</u>
Finance lease, right-of-use assets, net	\$	<b>1,872,194</b>
Finance lease liabilities, current portion	\$	27,474
Finance lease liabilities, net of current portion		<u>2,023,297</u>
Total finance lease liabilities	\$	<b>2,050,771</b>
Weighted-average remaining lease term		
Finance leases		3.9 years
Weighted-average discount rate		
Finance leases		3.89%

Future undiscounted cash flows for the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows:

Year ended December 31,	
2023	\$ 99,996
2024	99,996
2025	99,996
2026	<u>2,055,663</u>
Total lease payments	2,355,651
Imputed interest	<u>(304,880)</u>
Total present value of lease liabilities	<b>\$ 2,050,771</b>

#### Note 9. Subsequent Events

Management has evaluated subsequent events through June 26, 2023, the date on which the financial statements were available for issuance.