

**AncoraTN
(Formerly, End Slavery Tennessee)**

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

As of and for the Years Ended December 31, 2022 and 2021

And Report of Independent Auditor

AncoraTN
(Formerly, End Slavery Tennessee)
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ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

Board of Directors

Lori Hines	Board Chair
Dr. Alicia Leadford.....	Board Vice Chair
Michael Ryan.....	Treasurer
Tammy Meade	Secretary
David Adams	Board Member
Kim Allen	Board Member
Kelli Cary	Board Member
John Dab	Board Member
Dr. Dana Hardy	Board Member
Dr. Kaylene Logan.....	Board Member
Jennifer Manternach.....	Board Member
Colleen Locke.....	Board Member
Margie Quin.....	Board Member
Sujata Watts	Board Member
Portia Wells	Board Member
Kimberley Veirs	Board Member
Karl Houston	Board Member
Janet McDonald	Board Member
Sharmila Bhide	Board Intern
Vishal Kannan	Board Intern

Executive Staff

Kelli Cary	Chief Executive Officer
Leah Moyer	Chief Operating Officer
Tosin Okunoren.....	Director of Finance
Kelsey Mize	Director of Survivor Care
Carlee Smith.....	Director of Development and External Relations

Report of Independent Auditor

To the Board of Directors
AncoraTN (Formerly, End Slavery Tennessee)
Nashville, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of AncoraTN (formerly, End Slavery Tennessee) (the “Organization”) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Organization’s ability to continue as a going concern within one year after the date the financial statements are 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Organization'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 Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The Roster of Board of Directors and Executive Staff, which is the responsibility of management, is of a nonaccounting nature and has not been subjected to the auditing procedures applied in the audit of the financial statements. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
June 20, 2023

AncoraTN
(Formerly, End Slavery Tennessee)
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,510,083	\$ 1,083,304
Restricted cash	774,384	1,211,923
Contributions and other receivables currently due	245,096	232,721
Prepaid expenses and other receivables	99,801	23,280
Total Current Assets	2,629,364	2,551,228
Noncurrent contributions and other receivables	22,167	67,000
Property and equipment, net	3,376,493	2,734,271
Security deposits	6,983	6,983
Operating lease right-of-use assets, net	374,908	-
Total Assets	\$ 6,409,915	\$ 5,359,482
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 49,489	\$ 43,857
Accrued liabilities	32,331	26,564
Deferred revenue	606,080	1,037,323
Operating lease right-of-use liabilities - current	186,497	-
Total Current Liabilities	874,397	1,107,744
Operating lease right-of-use liabilities - noncurrent	193,055	-
Total Liabilities	1,067,452	1,107,744
Net Assets:		
Without Donor Restrictions:		
Undesignated	5,044,453	2,719,373
Total Without Donor Restrictions	5,044,453	2,719,373
With Donor Restrictions	298,010	1,532,365
Total Net Assets	5,342,463	4,251,738
Total Liabilities and Net Assets	\$ 6,409,915	\$ 5,359,482

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

AncoraTN
(Formerly, End Slavery Tennessee)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Net Assets:			
Revenues:			
Grants	\$ 1,976,620	\$ 99,500	\$ 2,076,120
Contributions	958,101	67,450	1,025,551
Fundraising events - net of expenses of \$47,410	145,976	-	145,976
Other income	2,489	-	2,489
In-kind contributions	60,433	-	60,433
Net assets released from restrictions	<u>1,401,305</u>	<u>(1,401,305)</u>	<u>-</u>
Total Revenues	<u>4,544,924</u>	<u>(1,234,355)</u>	<u>3,310,569</u>
Expenses:			
Program Services:			
Aftercare	1,067,623	-	1,067,623
Advocacy	211,586	-	211,586
Training	180,763	-	180,763
Prevention	130,204	-	130,204
Safe House	<u>8,145</u>	<u>-</u>	<u>8,145</u>
Total Program Services	<u>1,598,321</u>	<u>-</u>	<u>1,598,321</u>
Supporting Services:			
Management and general	360,605	-	360,605
Fundraising	<u>260,918</u>	<u>-</u>	<u>260,918</u>
Total Supporting Services	<u>621,523</u>	<u>-</u>	<u>621,523</u>
Total Expenses	<u>2,219,844</u>	<u>-</u>	<u>2,219,844</u>
Change in net assets	2,325,080	(1,234,355)	1,090,725
Net assets, beginning of year	<u>2,719,373</u>	<u>1,532,365</u>	<u>4,251,738</u>
Net assets, end of year	<u>\$ 5,044,453</u>	<u>\$ 298,010</u>	<u>\$ 5,342,463</u>

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

AncoraTN
(Formerly, End Slavery Tennessee)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in Net Assets:			
Revenues:			
Grants	\$ 2,221,628	\$ 1,124,248	\$ 3,345,876
Contributions	887,724	408,117	1,295,841
Fundraising events - net of expenses of \$39,579	156,761	-	156,761
In-kind contributions	78,111	-	78,111
Other income	2,219	-	2,219
Net assets released from restrictions	184,028	(184,028)	-
Total Revenues	3,530,471	1,348,337	4,878,808
Expenses:			
Program Services:			
Aftercare	748,385	-	748,385
Advocacy	171,888	-	171,888
Training	143,746	-	143,746
Prevention	76,499	-	76,499
Safe House	54,188	-	54,188
Total Program Services	1,194,706	-	1,194,706
Supporting Services:			
Management and general	372,931	-	372,931
Fundraising	254,636	-	254,636
Total Supporting Services	627,567	-	627,567
Total Expenses	1,822,273	-	1,822,273
Change in net assets	1,708,198	1,348,337	3,056,535
Net assets, beginning of year	1,011,175	184,028	1,195,203
Net assets, end of year	\$ 2,719,373	\$ 1,532,365	\$ 4,251,738

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

AncoraTN
(Formerly, End Slavery Tennessee)
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services					Supporting Services				Total
	Aftercare	Advocacy	Training	Prevention	Safe House	Total	Management and General	Fundraising	Total	
Salaries and benefits	\$ 669,149	\$ 146,751	\$ 136,726	\$ 102,211	\$ -	\$ 1,054,837	\$ 183,139	\$ 153,438	\$ 336,577	\$ 1,391,414
Occupancy cost	145,913	25,995	20,779	16,243	408	209,338	39,015	25,980	64,995	274,333
Client expenses	149,987	8,317	4,434	3,354	7,652	173,744	6,260	37,402	43,662	217,406
Depreciation	56,042	10,360	12,584	4,851	-	83,837	18,216	16,481	34,697	118,534
Professional fees	2,194	7,248	497	370	-	10,309	86,618	583	87,201	97,510
Insurance	16,268	4,004	3,413	2,438	-	26,123	3,794	4,120	7,914	34,037
Computer and software	8,444	236	948	-	-	9,628	4,505	12,730	17,235	26,863
Miscellaneous	2,222	7,387	100	63	67	9,839	10,309	207	10,516	20,355
Education	12,730	794	985	584	-	15,093	1,262	973	2,235	17,328
Fees	2,999	300	-	-	18	3,317	2,638	4,777	7,415	10,732
Travel	1,427	148	264	90	-	1,929	1,066	160	1,226	3,155
Marketing and publicity	-	46	33	-	-	79	1,478	1,443	2,921	3,000
Donor development	-	-	-	-	-	-	73	2,549	2,622	2,622
Meals	243	-	-	-	-	243	1,234	75	1,309	1,552
Mailings and postage	5	-	-	-	-	5	998	-	998	1,003
Total Expenses	\$ 1,067,623	\$ 211,586	\$ 180,763	\$ 130,204	\$ 8,145	\$ 1,598,321	\$ 360,605	\$ 260,918	\$ 621,523	\$ 2,219,844

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

AncoraTN
(Formerly, End Slavery Tennessee)
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services					Supporting Services				Total
	Aftercare	Advocacy	Training	Prevention	Safe House	Total	Management and General	Fundraising	Total	
Salaries and benefits	\$ 449,195	\$ 118,920	\$ 77,933	\$ 61,069	\$ -	\$ 707,117	\$ 157,754	\$ 180,455	\$ 338,209	\$ 1,045,326
Occupancy cost	102,861	34,062	18,290	13,804	410	169,427	54,170	45,155	99,325	268,752
Client expenses	156,198	1,413	6	805	47,127	205,549	916	11	927	206,476
Professional fees	300	6,767	-	-	-	7,067	66,966	3,329	70,295	77,362
Miscellaneous	2,566	8,319	-	-	-	10,885	58,871	-	58,871	69,756
Education	8,011	-	41,523	-	-	49,534	2,079	-	2,079	51,613
Depreciation	17,251	1,754	5,652	821	6,651	32,129	6,910	2,791	9,701	41,830
Computer and software	8,676	-	-	-	-	8,676	7,994	16,116	24,110	32,786
Insurance	-	-	-	-	-	-	12,197	-	12,197	12,197
Fees	2,045	300	-	-	-	2,345	2,293	2,766	5,059	7,404
Donor development	-	-	-	-	-	-	-	3,285	3,285	3,285
Marketing and publicity	-	302	-	-	-	302	1,051	423	1,474	1,776
Meals	1,206	-	59	-	-	1,265	147	-	147	1,412
Travel	66	51	283	-	-	400	854	158	1,012	1,412
Mailings and postage	10	-	-	-	-	10	729	147	876	886
Total Expenses	\$ 748,385	\$ 171,888	\$ 143,746	\$ 76,499	\$ 54,188	\$ 1,194,706	\$ 372,931	\$ 254,636	\$ 627,567	\$ 1,822,273

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

AncoraTN
(Formerly, End Slavery Tennessee)
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,090,725	\$ 3,056,535
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	118,534	41,830
Noncash lease expense	4,644	-
Changes in operating assets and liabilities:		
Contributions and other receivables	32,458	(115,693)
Prepaid expenses and other receivables	(76,521)	(8,273)
Accounts payable	5,632	27,482
Accrued liabilities	5,767	5,168
Deferred revenue	(431,243)	876,182
Net cash flows from operating activities	<u>749,996</u>	<u>3,883,231</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(760,756)</u>	<u>(2,476,317)</u>
Net cash flows from investing activities	<u>(760,756)</u>	<u>(2,476,317)</u>
Change in cash, cash equivalents, and restricted cash	(10,760)	1,406,914
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,295,227</u>	<u>888,313</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 2,284,467</u>	<u>\$ 2,295,227</u>

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

AncoraTN
(Formerly, End Slavery Tennessee)
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

Nature of Activities – AncoraTN (formerly, 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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Financial statement presentation is in accordance with standards of accounting and financial reporting prescribed for not-for-profit organizations. 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. 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 are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents – For purpose of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

The Organization received certain state appropriation grants for specified purposes including purchasing and building a treatment campus for the benefit of the Organization’s clients. Unspent amounts are included in restricted cash on the statements of financial position. The Organization has specified periods to either use the funds or surrender them back to the state of Tennessee, inclusive of any interest (see Note 5).

Contributions and Support – Contributions received are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. The expiration of a donor-imposed restriction is recognized in the period in which the restriction expires and at that time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions whose restrictions are met in the same reporting period are shown as increases in net assets without donor restrictions. Contribution receivables are recognized as revenues in the period promised as assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Amounts not due within the next fiscal year are classified as noncurrent contributions receivable. There was no allowance recorded for uncollectible accounts as of December 31, 2022 or 2021.

The Organization also receives grant revenue from various federal and state agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Contributions of assets other than cash are recorded at their estimated fair value. Any gifts of equipment or materials are reported as increases to net assets without donor restrictions unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as increases to net assets with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

AncoraTN
(Formerly, End Slavery Tennessee)
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

Donated Services – Many individuals volunteer their time and perform a variety of tasks for or on behalf of the Organization. During 2022 and 2021, contributed services meeting the requirements for recognition in the financial statements was not significant.

Property and Equipment – Land, buildings, and equipment are stated at cost at date of purchase or at estimated fair market value at date of gift. The fair value of donated labor services associated with fixed assets is added to the cost of the asset. Repairs and maintenance are charged to expense as incurred. Purchases with a cost of \$500 or more and an estimated useful life greater than one year are capitalized. The estimated useful lives of depreciable property and equipment range from 5 to 39 years.

The accounting policies for right-of-use assets are described in detail in Note 8.

Deferred Revenue – Grant funds received prior to expenditure are recorded initially as deferred revenue. Revenue is recognized in the period eligible expenditures are incurred under the terms of the grant.

Income Taxes – The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code (“IRC”) Section 501(c)(3). Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity’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. The Organization has no tax penalties or interest reported in the accompanying financial statements. The Organization had no uncertain tax positions at December 31, 2022 or 2021.

Accounting Estimates – The preparation of financial statements in conformity with U.S. GAAP 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. Estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consist primarily of salaries and wages which are allocated based on time and effort.

AncoraTN
(Formerly, End Slavery Tennessee)
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

As part of its fundraising efforts, the Organization holds periodic special events. Revenues raised from these events consisted of contributions, admission fees, and sponsorships. Direct expenses related to special events are included within special event revenue in the accompanying statements of activities and totaled \$47,410 and \$39,579 for the years ended December 31, 2022 and 2021, respectively.

Adoption of New Accounting Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in ASC 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The new standard is effective for the Organization’s year ending December 31, 2022. A modified retrospective transition approach is required for leases for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. As a result of adopting this ASU, the Organization recorded operating right-of-use (“ROU”) assets and lease liabilities of approximately \$560,000. Adoption of the new standard did not materially impact the Organization’s change in net assets and had no impact on cash flows. The Organization considers a lease term to be the noncancelable period that it has the right to use the underlying asset. Lease expense is recognized on a straight-line basis over the expected lease term (see Note 8).

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, certain additional disclosures are required. This standard was effective for the year ended December 31, 2022 and had an immaterial effect on the Organization’s financial statements upon adoption. When received, such items have been recorded at market value and are used for operations. There have been no donor restrictions placed on such contributions.

Forthcoming Accounting Pronouncement – In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)* and subsequently related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and ASU 2022-02). This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. This ASU will be effective for the year ended December 31, 2023. The Organization is currently evaluating the effect the adoption of this ASU will have on the financial statements.

Subsequent Events – The Organization has evaluated subsequent events through June 20, 2023 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2022, have been properly incorporated or disclosed in these financial statements.

AncoraTN
(Formerly, End Slavery Tennessee)
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 2—Liquidity and availability of resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditure, that is without donor restrictions or other restrictions limiting their use within one year of the statement of financial position, comprise the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,410,583	\$ 1,083,304
Contributions and other receivables currently due	245,096	232,721
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,655,679</u>	<u>\$ 1,316,025</u>

Note 3—Beneficial interest in assets at Community Foundation of Middle Tennessee

During the year ended December 31, 2021, the Organization made a gift of \$50,000 to The Community Foundation of Middle Tennessee (the "Foundation") that established the End Slavery Tennessee Agency Endowment Fund (the "Endowment Fund") on behalf of the Organization. The Foundation has ultimate authority and control over the Endowment Fund and the initial gift is no longer an asset of the Organization. The Organization is the beneficiary of any Endowment Fund earnings and is eligible to receive distributions of these earnings upon request, subject to the Foundation's spending policy.

Note 4—Property and equipment

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

	<u>2022</u>	<u>2021</u>
Land	\$ 645,398	\$ 645,398
Buildings and improvements	2,561,980	2,077,034
Equipment and vehicles	384,267	108,457
	3,591,645	2,830,889
Less accumulated depreciation	(215,152)	(96,618)
	<u>\$ 3,376,493</u>	<u>\$ 2,734,271</u>

AncoraTN
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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 5—Government grants and funding arrangements

During 2021, the Organization received a direct appropriation grant in the amount of \$3,500,000 from the state of Tennessee to support the establishment and buildout of a Restoration Campus for the purpose of housing and treating clients. Any awarded funds not expended must be returned to the state. At December 31, 2021, the Organization recognized deferred revenue of approximately \$1,037,000 related the funds not yet expended. Such funds were expended during 2022.

During 2022, the Organization received an additional direct appropriation grant from the state of Tennessee in the amount of \$1,000,000. At December 31, 2022, the Organization has reflected deferred revenue of approximately \$606,000 related to funds not yet expended in the statement of financial position. Any unused funds must be surrendered back to the state of Tennessee on June 30, 2023.

The Organization received a Paycheck Protection Program (“PPP”) loan in the amount of \$161,000 during year ended December 31, 2020. 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. On August 13, 2021, the loan was forgiven, and the related revenue was recognized as grant revenue without restrictions on the statement of activities and changes in net assets during the year ended December 31, 2021.

Note 6—Net assets with donor restrictions

Net assets with donor restrictions consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Restricted grant funding	\$ -	\$ 1,124,248
Donor restricted contributions for specific purposes	99,500	108,396
Contributions receivable	198,510	299,721
	<u>\$ 298,010</u>	<u>\$ 1,532,365</u>

Note 7—Concentrations

Concentrations of Credit Risk – 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, 2022 and 2021 approximated \$1,882,000 and \$1,759,000, respectively.

Concentrations of Revenue – The Organization received significant funding from direct appropriations from the state of Tennessee. (See Note 5.) A significant reduction in this support could have an adverse effect on the Organization’s activities. The Organization received these funds in advance and maintains these funds in a separate bank account as required by the grant.

AncoraTN
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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 8—Leases

The Organization is obligated under certain noncancelable operating leases for office space that expire at various dates through 2024. The Organization determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration. The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on relative stand-alone prices.

The ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain these options would be exercised by the Organization. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Certain of our lease agreements include variable payments. Variable lease payments not dependent on an index or rate primarily consist of common area maintenance charges and are not included in the calculation of the ROU asset and lease liability and are expensed as incurred. In order to determine the present value of lease payments, the Organization uses the implicit rate when it is readily determinable. As most of the Organization's leases do not provide an implicit rate, management uses the risk-free discount rate based on the information available at lease commencement to determine the present value of lease payments.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Organization does not have leases where it is involved with the construction or design of an underlying asset. The Organization has no material obligation for leases signed but not yet commenced as of December 31, 2022.

Practical Expedients Elected:

- The Organization elected the three transition practical expedients that permit an entity to (a) not reassess whether expired or existing contracts contain leases, (b) not reassess lease classification for existing or expired leases, and (c) not consider whether previously capitalized initial direct costs would be appropriate under the new standard.
- The Organization has elected the practical expedient not to recognize leases with terms of 12 months or less on the statement of financial position and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Therefore, the Organization's short-term lease expense for the period does not reflect the Organization's ongoing short-term lease commitments. Lease expense for such short-term leases was not material for the year ended December 31, 2022.
- The Organization has elected to utilize the risk-free discount rate to calculate lease assets and liabilities.
- The Organization has elected to account for lease and non-lease components as a single component.

During 2022, the Organization subleased a portion of its leased office space to an unrelated third party. Such sublease income amounts totaled \$81,724 and were recorded as a reduction of management and general supporting services expense within the statement of activities and changes in net assets.

AncoraTN
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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 8—Leases (continued)

Classification of right-of-use assets and lease liabilities as of December 31, 2022 is as follows:

<u>Leases</u>	<u>Balance Sheet Classification</u>	
<u>Assets:</u>		
Operating right-of-use assets	Operating lease assets, net	\$ 374,908
Total lease assets		<u>\$ 374,908</u>
<u>Liabilities:</u>		
Current:		
Operating lease liabilities	Operating lease liabilities, current	\$ 186,497
Noncurrent:		
Operating lease liabilities	Operating lease liabilities, noncurrent	193,055
Total lease liabilities		<u>\$ 379,552</u>

Future minimum lease payments as of December 31, 2022 is as follows:

<u>Maturity Analysis</u>	<u>Operating</u>
2023	\$ 189,198
2024	193,914
Total undiscounted cash flows	383,112
Less present value discount	(3,560)
Total lease liabilities	<u>\$ 379,552</u>

Required supplemental information relating to the Organization's leases for the year ended December 31, 2022 is as follows:

Lease expense:	
Operating lease expense	\$ 189,234
Total operating lease cost	<u>\$ 189,234</u>
Cash flow information:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 184,589
ROU assets obtained in exchange for new operating lease liabilities	559,661
Lease term (in years) and discount rate:	
Weighted average remaining lease term in years for operating leases	2.00
Weighted average discount rate for operating leases	0.97%

SUPPLEMENTARY INFORMATION

AncoraTN
(Formerly, End Slavery Tennessee)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED DECEMBER 31, 2022

Grantor	Federal Assistance Listing Number	Pass Through Grantor's Number	Pass through to Subrecipients	Expenditures
FEDERAL AWARD				
<u>Crime Victim Assistance (VOCA)</u>				
<i>Passed through State of Tennessee, Department of Finance and Administration, Office of Criminal Justice Programs</i>				
Single Point of Entry Human Trafficking				
Agencies Victim Services	16.575	(1)	\$ -	\$ 234,703
Total for CFDA No. 16.575			-	234,703
Total Expenditures of Federal Awards			-	234,703
STATE AWARD				
<u>State of Tennessee</u>				
Direct Appropriation Grant for Non-Governmental Entities	N/A	N/A	-	1,431,243
Total Expenditures of State Awards			-	1,431,243
Total Expenditures of Federal and State Awards			\$ -	\$ 1,665,946

(1) - Information not available.

**AncoraTN
(Formerly, End Slavery Tennessee)**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED DECEMBER 31, 2022

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") summarizes the expenditures of AncoraTN (formerly, End Slavery Tennessee) (the "Organization") under programs of the federal and state governments for the year ended December 31, 2022. The Schedule is presented using the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the state of Tennessee Audit Manual for Auditing, Accounting, and Reporting for Local Government Units and Other Organizations. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

Note 2—Indirect cost rate

The Organization did not elect to use the 10% de minimis indirect cost rate; however, no indirect costs were allocated to the awards during 2022.

Note 3—Noncash awards

The Organization did not receive noncash awards during the year ended December 31, 2022.

Note 4—Contingencies

These programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantors cannot be determined at this time. The Organization expects such amounts, if any, to be immaterial.

Note 5—Subrecipients

The Organization did not have expenditures to subrecipients during the year ended December 31, 2022.

**Report of Independent Auditor on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Board of Directors
AncoraTN (formerly, End Slavery Tennessee)
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of AncoraTN (formerly, End Slavery Tennessee) (the “Organization”) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

AncoraTN's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
June 20, 2023

AncoraTN
(Formerly, End Slavery Tennessee)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2022

Finding 2022-001 – Significant Deficiency over Cash Disbursements

Criteria: AncoraTN (formerly, End Slavery Tennessee) (the “Organization”) is responsible for establishing controls and procedures to ensure internal controls are adequate and being properly implemented.

Condition: Established controls related to cash disbursements, including requirement to retain supporting documentation for all disbursements as well as evidence of review and approval by members of management, was not followed consistently. Additionally, allocations of costs among several functions as recorded via journal entry were not consistently supported with adequate documentation including management approval.

Cause: The Organization experienced employee and management turnover, which resulted in the outsourcing of accounting processes to a third party and a change in the monitoring of costs applied toward state funds.

Effect: The lack of documentation for all disbursements as well as evidence of review and approval by management allows for the possibility of intentional or unintentional unauthorized disbursements of state funds.

Recommendation: Organization management should enhance their record retention procedures for documentation of all disbursements as well as their review and oversight with regard to expenditures allocated to state funds. Although an independent third party is actively involved in the accounting function, all transactions should also contain documentation of review by a member of management. Additionally, allocations of costs among several functions as recorded via journal entry should also be supported with adequate documentation including management approval.

Management’s Response: We agree with the finding and have implemented procedures to ensure established controls are being followed.

AncoraTN
(Formerly, End Slavery Tennessee)
SCHEDULE OF PRIOR YEAR AUIDT FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022

There were no prior findings reported.