

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**LIBERTY'S PROMISE
(A NON-PROFIT ORGANIZATION)**

December 31, 2013 and 2012

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Farmer & First, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

"Grow Your Business With Us"

INDEPENDENT AUDITORS' REPORT

May 9, 2014

To the Board of Directors of:

Liberty's Promise (A Non-Profit Organization)
Alexandria, VA

We have audited the accompanying statements of financial position of Liberty's Promise (a non-profit organization) as of December 31, 2013 and 2012 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Liberty's Promise as of December 31, 2013 and 2012, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Farmer & First, PC

Warren, Rhode Island

Liberty's Promise (A Non-Profit Organization)
STATEMENTS OF FINANCIAL POSITION
As of December 31,

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 186,454	\$ 217,773
Grant receivable	38,932	82,370
Promises to give	71,426	76,046
Prepaid expenses	4,022	4,675
Total current assets	300,834	380,864
PROPERTY AND EQUIPMENT - At cost:		
Furniture and equipment	34,662	24,461
Less: accumulated depreciation and amortization	17,852	17,146
Property and equipment, net	16,810	7,315
OTHER ASSETS:		
Security deposits	1,838	700
TOTAL	\$ <u>319,482</u>	\$ <u>388,879</u>

The accompanying notes are an integral part of these statements.

Liberty's Promise (A Non-Profit Organization)
STATEMENTS OF FINANCIAL POSITION (continued)
As of December 31,

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 4,983	\$ 6,857
Accrued expenses	19,258	15,412
Deferred grant income	<u>50,922</u>	<u>59,880</u>
Total current liabilities	<u>75,163</u>	<u>82,149</u>
 NET ASSETS:		
Unrestricted		
Operating	119,944	204,053
Board designated	<u>87,479</u>	<u>53,242</u>
	207,423	257,295
Temporarily restricted	<u>36,896</u>	<u>49,435</u>
Total net assets	<u>244,319</u>	<u>306,730</u>

TOTAL	<u>\$ 319,482</u>	<u>\$ 388,879</u>
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The accompanying notes are an integral part of these statements.

Liberty's Promise (A Non-Profit Organization)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
SUPPORT & REVENUE:			
Grant income	\$ 370,150	\$ 26,500	\$ 396,650
Contributions	57,135	-	57,135
Interest and other income	452	-	452
Miscellaenous income	901	-	901
Net assets released from restrictions	39,039	(39,039)	-
 Total unrestricted support and reclassifications	 467,677	 (12,539)	 455,138
EXPENSES:			
Program services	399,938	-	399,938
Support services			
Management and general	87,652	-	87,652
Fundraising	29,959	-	29,959
 Net expenses	 517,549	 -	 517,549
 Change in net assets	 (49,872)	 (12,539)	 (62,411)
Net assets, January 1, 2013	257,295	49,435	306,730
Net assets, December 31, 2013	\$ 207,423	\$ 36,896	\$ 244,319

The accompanying notes are an integral part of these statements.

Liberty's Promise (A Non-Profit Organization)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT & REVENUE:			
Grant income	\$ 483,692	\$ 70,846	\$ 554,538
Contributions	64,474	-	64,474
Interest and other income	538	-	538
Net assets released from restrictions	<u>87,807</u>	<u>(87,807)</u>	<u>-</u>
 Total unrestricted support and reclassifications	 <u>636,511</u>	 <u>(16,961)</u>	 <u>619,550</u>
EXPENSES:			
Program services	443,520	-	443,520
Support services			
Management and general	80,237	-	80,237
Fundraising	<u>17,982</u>	<u>-</u>	<u>17,982</u>
 Net expenses	 <u>541,739</u>	 <u>-</u>	 <u>541,739</u>
 Change in net assets	 94,772	 (16,961)	 77,811
Net assets, January 1, 2012	<u>162,523</u>	<u>66,396</u>	<u>228,919</u>
Net assets, December 31, 2012	<u>\$ 257,295</u>	<u>\$ 49,435</u>	<u>\$ 306,730</u>

The accompanying notes are an integral part of these statements.

Liberty's Promise (A Non-Profit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	Program Services	Support Services			Total Support	Totals
		Management & General	Fundraising			
Salaries and wages	\$ 169,164	\$ 53,729	\$ 17,836	\$ 71,565	\$ 240,729	
Payroll taxes	13,180	4,192	1,265	5,457	18,637	
Fringe benefits	13,119	2,173	-	2,173	15,292	
Total payroll related expenses	195,463	60,094	19,101	79,195	274,658	
Civic classes	56,295	-	-	-	56,295	
New Futures awards	53,642	-	-	-	53,642	
Internship	49,606	-	-	-	49,606	
Occupancy	25,023	5,015	1,743	6,758	31,781	
Professional fees	88	8,281	3,902	12,183	12,271	
Travel	8,134	1,869	457	2,326	10,460	
Office expenses and supplies	2,106	2,883	735	3,618	5,724	
Telephone	3,964	311	366	677	4,641	
Insurance	-	3,692	-	3,692	3,692	
Depreciation	1,178	1,766	-	1,766	2,944	
Internet & IT expenses	2,109	322	129	451	2,560	
Printing & reproduction	1,608	201	409	610	2,218	
Meetings	243	1,309	-	1,309	1,552	
Payroll processing fee	-	1,532	-	1,532	1,532	
Training	-	-	825	825	825	
Postage and shipping	459	146	83	229	688	
Miscellaneous	20	231	2,209	2,440	2,460	
Total	\$ 399,938	\$ 87,652	\$ 29,959	\$ 117,611	\$ 517,549	

The accompanying notes are an integral part of these statements.

Liberty's Promise (A Non-Profit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

	Support Services				Totals
	Program Services	Management & General	Fundraising	Total Support	
Salaries and wages	\$ 174,709	\$ 52,454	\$ 6,865	\$ 59,319	\$ 234,028
Payroll taxes	13,821	4,038	277	4,315	18,136
Fringe benefits	15,902	49	-	49	15,951
Total payroll related expenses	204,432	56,541	7,142	63,683	268,115
Civic classes	76,450	-	-	-	76,450
Internship	69,700	-	-	-	69,700
New Futures awards	38,323	-	-	-	38,323
Occupancy	27,690	4,341	529	4,870	32,560
Travel	15,462	1,378	397	1,775	17,237
Professional fees	920	5,369	7,271	12,640	13,560
Insurance	-	6,423	-	6,423	6,423
Office expenses	2,582	1,417	1,596	3,013	5,595
Depreciation	1,160	1,739	-	1,739	2,899
Internet & IT expenses	1,541	178	484	662	2,203
Training	2,182	-	-	-	2,182
Telephone	1,591	199	201	400	1,991
Payroll processing fee	-	1,228	-	1,228	1,228
Postage and shipping	610	275	117	392	1,002
Printing & reproduction	629	78	78	156	785
Meetings	76	528	89	617	693
Miscellaneous	171	543	78	621	792
Total	<u>\$ 443,519</u>	<u>\$ 80,237</u>	<u>\$ 17,982</u>	<u>\$ 98,219</u>	<u>\$ 541,738</u>

The accompanying notes are an integral part of these statements.

Liberty's Promise (A Non-Profit Organization)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in net assets	\$ (62,411)	\$ 77,811
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,944	2,899
Decrease (increase) in operating assets:		
Grant receivable	43,438	93,200
Promises to give	4,620	(35,981)
Prepaid expenses	653	1,580
Security deposits	(1,138)	---
Increase (decrease) in operating liabilities:		
Accounts payable - trade	(1,874)	3,338
Accrued expenses	3,846	2,885
Deferred grant income	(8,958)	(92,751)
	(18,880)	52,981
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
	(18,880)	52,981
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Additions to property and equipment	(12,439)	(6,223)
NET CHANGE IN CASH		
	(31,319)	46,758
Cash and cash equivalents - January 1,	217,773	171,015
Cash and cash equivalents - December 31,	\$ 186,454	\$ 217,773
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ -	\$ -

The accompanying notes are an integral part of these statements.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Liberty's Promise (a non-profit organization) was incorporated on May 1, 2003 in the District of Columbia. Its purpose is to support young immigrants as they become active participants in American society. The Organization collaborates with government agencies, businesses, and non-profit organizations to offer internships for young immigrants and promotes active community involvement through civics courses.

2. Basis of Accounting

The Organization recognizes income on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

3. Basis of Presentation

The financial statements are presented in accordance with FASB Accounting Standard Codification (FASB ASC) 958, Not-for-Profit Entities. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The Organization had no permanently restricted net assets as of December 31, 2013 and 2012.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated for financial statement purposes using the straight-line method based on each property's estimated life.

Additions and improvements that add materially to productive capacity, or extend the life of an asset, are capitalized. Normal repairs and maintenance are charged against income. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisitions.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The estimated lives used in determining depreciation are:

Office furniture and equipment	5 to 7 years
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5. Income Taxes

The Organization is a not-for-profit organization that is generally exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. In addition, the Organization has been classified as an organization that is not a private foundation under Section 590(a) (1). Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. The Organization did not have any unrelated business income for the years ended December 31, 2013 and 2012.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be considered cash.

7. Contributed Services and Occupancy

During the years ended December 31, 2013 and 2012, the Organization was a recipient of classroom space valued at \$14,693 and \$12,398, respectively. Additionally, the Organization during the year ended December 31, 2013 received fundraising training services valued at \$825. Various volunteers provided other services to the Organization, but these services do not meet the criteria for recognition.

8. Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is 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 Activities as net assets released from restrictions.

9. Grants and Contract Awards

The Organization receives grants from private grantors for various purposes. Grants and contract awards not yet received are accrued to the extent that unreimbursed expenses have been incurred for the purposes specified by an approved grant or contract. The Organization defers grants and contract revenues received under approved awards from grantors to the extent they exceed expenses incurred for the purposes specified under the grant restrictions

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

11. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

12. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. Uncertain Tax Provisions

Accounting for uncertain income tax positions, relating to both federal and state income taxes, are required when a more likely than not threshold is attained. If such positions result in uncertainties, then the unrecognized tax liability is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. With the adoption of these new rules, the Organization assessed its tax positions in accordance with the guidance. The Organization has determined that its tax status as a VA non-profit corporation is its only tax position and is highly certain. Therefore, these new rules had no impact on the Organization's financial statements.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

14 **Subsequent Events**

Management has evaluated subsequent events through May 13, 2014, the date which the financial statements were available to be issued.

NOTE B –COMMITMENTS

The Organization is obligated under the following rental leases:

<u>Lessor</u>	<u>Location/Equipment</u>	<u>Term / Exp. Date</u>	<u>Terms</u>
Angel's Security Corp	2900-A Jefferson Davis Hwy, Alexandria, VA 22301	One year May 29, 2013, to June 30, 2014	\$16,200 annual rental due in 12 equal monthly payments

NOTE C - CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of funds to the grantors. Although that is a possibility, management deems this contingency remote, since it believes that it has complied with the terms of each grant.

NOTE D - NEW FUTURES

New Futures, a non-profit agency located in Washington, D.C. offers financial and mentoring support to low-income, D.C.-area young people seeking economic self-sufficiency through post-secondary education. The agency has 11 community partners that nominate and mentor scholars. Liberty's Promise is one of these partner organizations.

As of December 31, 2013 and 2012, the Organization is a recipient of a conditional promise to give from New Futures in the amounts of \$108,402 and \$138,613, respectively for various youths.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at the end of the year represent grants that have been received and designated as temporarily restricted by the grantor. As these funds are expended, the temporary restrictions expire and the temporarily restricted net assets are reclassified to unrestricted net assets on the statement of activities.

Temporarily restricted net assets, by fund, as of December 31, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Civics	\$ 36,235	\$ 33,035
Prince Georges County	-0-	15,000
Montgomery County	661	-0-
Internships	<u>-0-</u>	<u>1,400</u>
Total	<u>\$ 36,896</u>	<u>\$ 49,435</u>