

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

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

December 31, 2015 and 2014

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Farmer & First, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

"Grow Your Business With Us"

INDEPENDENT AUDITORS' REPORT

March 2, 2016

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, 2015 and 2014 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, 2015 and 2014, 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,

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 320,331	\$ 263,097
Investment in marketable securities	1,776	925
Grant receivable	56,838	77,796
Promises to give	81,717	54,976
Prepaid expenses	6,650	4,442
Total current assets	467,312	401,236
PROPERTY AND EQUIPMENT - At cost:		
Furniture and equipment	36,799	36,201
Less: accumulated depreciation and amortization	26,139	21,936
Property and equipment, net	10,660	14,265
OTHER ASSETS:		
Grants receivable, net of current portion	-	15,000
Security deposits	1,350	1,838
Total other assets	1,350	16,838
TOTAL	\$ 479,322	\$ 432,339

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

	2015	2014
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 27,443	\$ 12,062
Accrued expenses	35,430	31,375
Deferred grant income	<u>74,126</u>	<u>60,234</u>
Total current liabilities	<u>136,999</u>	<u>103,671</u>
 NET ASSETS:		
Unrestricted		
Operating	243,160	143,396
Board designated	<u>34,163</u>	<u>118,272</u>
	277,323	261,668
Temporarily restricted	<u>65,000</u>	<u>67,000</u>
Total net assets	<u>342,323</u>	<u>328,668</u>

TOTAL	<u>\$ 479,322</u>	<u>\$ 432,339</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT & REVENUE:			
Grant income	\$ 653,062	\$ 65,000	\$ 718,062
Contributions	94,925	-	94,925
Interest and dividend income	636	-	636
Unrealized loss	(221)	-	(221)
Miscellaenous income	1,380	-	1,380
Net assets released from restrictions	<u>67,000</u>	<u>(67,000)</u>	<u>-</u>
 Total unrestricted support and reclassifications	 <u>816,782</u>	 <u>(2,000)</u>	 <u>814,782</u>
EXPENSES:			
Program services	678,458	-	678,458
Support services			
Management and general	88,326	-	88,326
Fundraising	<u>34,343</u>	<u>-</u>	<u>34,343</u>
 Net expenses	 <u>801,127</u>	 <u>-</u>	 <u>801,127</u>
 Change in net assets	 15,655	 (2,000)	 13,655
Net assets, January 1, 2015	<u>261,668</u>	<u>67,000</u>	<u>328,668</u>
Net assets, December 31, 2015	<u>\$ 277,323</u>	<u>\$ 65,000</u>	<u>\$ 342,323</u>

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, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT & REVENUE:			
Grant income	\$ 620,342	\$ 67,000	\$ 687,342
Contributions	65,736	-	65,736
Interest income	466	-	466
Miscellaenous income	970	-	970
Net assets released from restrictions	36,896	(36,896)	-
 Total unrestricted support and reclassifications	 724,410	 30,104	 754,514
 EXPENSES:			
Program services	550,654	-	550,654
Support services			
Management and general	93,432	-	93,432
Fundraising	26,079	-	26,079
 Net expenses	 670,165	 -	 670,165
 Change in net assets	 54,245	 30,104	 84,349
Net assets, January 1, 2014	207,423	36,896	244,319
 Net assets, December 31, 2014	 \$ 261,668	 \$ 67,000	 \$ 328,668

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, 2015

	Support Services				<u>Totals</u>
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Support</u>	
Salaries and wages	\$ 317,045	\$ 52,135	\$ 16,580	\$ 68,715	\$ 385,760
Payroll taxes	26,282	4,014	1,261	5,275	31,557
Fringe benefits	35,865	6,000	5,533	11,533	47,398
Total payroll related expenses	<u>379,192</u>	<u>62,149</u>	<u>23,374</u>	<u>85,523</u>	<u>464,715</u>
Civic classes	114,376	-	-	-	114,376
New Futures awards	67,835	-	-	-	67,835
Internship	57,420	-	-	-	57,420
Occupancy	36,625	2,559	782	3,341	39,966
Professional fees	2,225	6,391	7,160	13,551	15,776
Office expenses and supplies	4,355	4,053	2,100	6,153	10,508
Travel	5,185	2,035	203	2,238	7,423
Telephone	6,045	223	223	446	6,491
Depreciation	1,681	2,522	-	2,522	4,203
Insurance	-	3,750	-	3,750	3,750
Meetings	1,356	1,413	148	1,561	2,917
Payroll processing fee	-	1,520	-	1,520	1,520
Internet & IT expenses	883	396	61	457	1,340
Postage and shipping	624	122	85	207	831
Printing & reproduction	656	60	7	67	723
Interest	-	84	-	84	84
Miscellaneous	-	1,049	200	1,249	1,249
Total	<u>\$ 678,458</u>	<u>\$ 88,326</u>	<u>\$ 34,343</u>	<u>\$ 122,669</u>	<u>\$ 801,127</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, 2014

	Support Services				Totals
	Program Services	Management & General	Fundraising	Total Support	
Salaries and wages	\$ 227,109	\$ 56,817	\$ 15,942	\$ 72,759	\$ 299,868
Payroll taxes	16,545	4,064	827	4,891	21,436
Fringe benefits	20,592	4,513	-	4,513	25,105
Total payroll related expenses	264,246	65,394	16,769	82,163	346,409
Civic classes	108,466	-	-	-	108,466
Internship	66,200	-	-	-	66,200
New Futures awards	57,952	-	-	-	57,952
Occupancy	36,248	3,722	753	4,475	40,723
Professional fees	351	7,649	4,742	12,391	12,742
Office expenses and supplies	3,540	2,225	1,931	4,156	7,696
Travel	3,907	2,444	169	2,613	6,520
Telephone	5,391	284	302	586	5,977
Depreciation	1,635	2,450	-	2,450	4,085
Insurance	-	3,996	-	3,996	3,996
Internet & IT expenses	1,581	499	81	580	2,161
Meetings	128	1,666	30	1,696	1,824
Payroll processing fee	-	1,402	-	1,402	1,402
Postage and shipping	651	151	152	303	954
Printing & reproduction	358	-	100	100	458
Miscellaneous	-	1,550	1,050	2,600	2,600
Total	<u>\$ 550,654</u>	<u>\$ 93,432</u>	<u>\$ 26,079</u>	<u>\$ 119,511</u>	<u>\$ 670,165</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,

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 13,655	\$ 84,349
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,203	4,084
Contribution of marketable securities	(1,025)	(925)
Reinvestment of dividends	(47)	-
Unrealized loss on marketable securities	221	-
Decrease (increase) in operating assets:		
Grant receivable	35,958	(53,864)
Promises to give	(26,741)	16,450
Prepaid expenses	(2,208)	(420)
Security deposits	488	---
Increase (decrease) in operating liabilities:		
Accounts payable - trade	15,381	7,079
Accrued expenses	4,055	12,117
Deferred grant income	13,892	9,312
	<u>57,832</u>	<u>78,182</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	57,832	78,182
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Additions to property and equipment	(598)	(1,539)
	<u>(598)</u>	<u>(1,539)</u>
NET CHANGE IN CASH	57,234	76,643
Cash and cash equivalents - January 1,	<u>263,097</u>	<u>186,454</u>
Cash and cash equivalents - December 31,	<u>\$ 320,331</u>	<u>\$ 263,097</u>
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 84</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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, 2015 and 2014.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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, 2015 and 2014.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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, 2015 and 2014, the Organization was a recipient of classroom space valued at \$21,457 each year. Additionally, the Organization during the year ended December 31, 2014 received professional services valued at \$2,443. 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, 2015 and 2014

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, 2015 and 2014

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

14. **Subsequent Events**

Management has evaluated subsequent events through May 3, 2016, 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 22305-3023	One year, renewable, May 29, 2013, to June 30, 2014. This lease was renewed twice at one additional year each (ended June 30, 2016).	\$16,620 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.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE D - NEW FUTURES (continued)

As of December 31, 2015 and 2014, the Organization is a recipient of a conditional promise to give from New Futures in the amounts of \$137,797 and \$58,829, respectively for various youths.

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, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Civics	\$ 57,000	\$ 55,000
Internships	<u>8,000</u>	<u>12,000</u>
Total	<u>\$ 65,000</u>	<u>\$ 67,000</u>

NOTE F – INVESTMENT IN MARKETABLE SECURITIES

All marketable securities are carried at their fair market values in the statement of financial position. Unrealized gains and losses are included in the accompanying statement of activities.

NOTE G - RETIREMENT PLAN

The Organization installed a 403(b) retirement plan on March 31, 2015. For all eligible employees, each participant can defer up to \$15,000 of their gross wages which are immediately invested.