

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

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

December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

February 19, 2019

To the Board of Directors of:

Liberty's Promise
Alexandria, VA.

Report on the Financial Statements

We have audited the accompanying financial statements of Liberty's Promise (a non-profit organization) which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's presentation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Liberty's Promise as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Janner & Jirst, PC

Warren, Rhode Island

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

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 255,443	\$ 256,725
Investment in marketable securities	3,176	2,023
Accounts receivable - other	-	17
Grant receivable	117,579	114,179
Promises to give	54,000	60,000
Prepaid expenses	9,734	9,440
Total current assets	439,932	442,384
PROPERTY AND EQUIPMENT - At cost:		
Furniture and equipment	42,548	42,548
Less: accumulated depreciation and amortization	39,212	36,184
Property and equipment, net	3,336	6,364
OTHER ASSETS:		
Security deposits	1,350	1,350
TOTAL	\$ 444,618	\$ 450,098

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

	2018	2017
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 13,535	\$ 12,466
Accrued expenses	46,291	47,330
Deferred grant income	76,376	64,482
Total current liabilities	136,202	124,278
 NET ASSETS:		
Without Donor Restrictions		
Operating	203,692	253,693
Board designated	37,121	36,785
	240,813	290,478
With Donor Restrictions	67,603	35,342
Total net assets	308,416	325,820

TOTAL	<u>\$ 444,618</u>	<u>\$ 450,098</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT & REVENUE:			
Grant income	\$ 709,673	\$ 65,000	\$ 774,673
Contributions	180,532	-	180,532
Interest and dividend income	402	-	402
Unrealized gain	(494)	-	(494)
Miscellaenous income	2,320	-	2,320
Net assets released from donor restrictions	32,739	(32,739)	-
 Total unrestricted support and reclassifications	 925,172	 32,261	 957,433
 EXPENSES:			
Program services	826,659	-	826,659
Support services			
Management and general	101,413	-	101,413
Fundraising	46,765	-	46,765
 Net expenses	 974,837	 -	 974,837
 Change in net assets	 (49,665)	 32,261	 (17,404)
Net assets, January 1, 2018	290,478	35,342	325,820
Net assets, December 31, 2018	\$ 240,813	\$ 67,603	\$ 308,416

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, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT & REVENUE:			
Grant income	\$ 757,848	\$ 35,000	\$ 792,848
Contributions	145,050	-	145,050
Interest and dividend income	410	-	410
Unrealized gain	(152)	-	(152)
Miscellaenous income	15	-	15
Net assets released from donor restrictions	<u>39,303</u>	<u>(39,303)</u>	<u>-</u>
 Total unrestricted support and reclassifications	 <u>942,474</u>	 <u>(4,303)</u>	 <u>938,171</u>
 EXPENSES:			
Program services	806,840	-	806,840
Support services			
Management and general	106,064	-	106,064
Fundraising	<u>37,210</u>	<u>-</u>	<u>37,210</u>
 Net expenses	 <u>950,114</u>	 <u>-</u>	 <u>950,114</u>
 Change in net assets	 (7,640)	 (4,303)	 (11,943)
 Net assets, January 1, 2017	 <u>298,118</u>	 <u>39,645</u>	 <u>337,763</u>
 Net assets, December 31, 2017	 <u>\$ 290,478</u>	 <u>\$ 35,342</u>	 <u>\$ 325,820</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, 2018

	Support Services				<u>Totals</u>
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Support</u>	
Salaries and wages	\$ 399,626	\$ 55,843	\$ 22,565	\$ 78,408	\$ 478,034
Payroll taxes	32,530	4,286	1,729	6,015	38,545
Fringe benefits	45,601	6,125	6,568	12,693	58,294
Total payroll related expenses	<u>477,757</u>	<u>66,254</u>	<u>30,862</u>	<u>97,116</u>	<u>574,873</u>
Civic classes	147,098	-	-	-	147,098
Occupancy	78,717	2,337	951	3,288	82,005
New Futures awards	60,984	-	-	-	60,984
Internship	35,900	-	-	-	35,900
Professional fees	2,125	7,580	9,414	16,994	19,119
Office expenses and supplies	4,690	5,360	3,489	8,849	13,539
Insurance	-	10,545	-	10,545	10,545
Travel	6,935	2,701	316	3,017	9,952
Telephone	6,485	267	390	657	7,142
Depreciation	1,212	1,817	-	1,817	3,029
Printing & reproduction	1,482	302	853	1,155	2,637
Scholarships	2,000	-	-	-	2,000
Meetings	395	1,429	25	1,454	1,849
Payroll processing fee	-	1,721	-	1,721	1,721
Postage and shipping	526	343	465	808	1,334
Internet & IT expenses	105	367	-	367	472
Marketing & outreach	248	40	-	40	288
Miscellaneous	-	350	-	350	350
Total	<u>\$ 826,659</u>	<u>\$ 101,413</u>	<u>\$ 46,765</u>	<u>\$ 148,178</u>	<u>\$ 974,837</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, 2017

	Support Services				Totals
	Program Services	Management & General	Fundraising	Total Support	
Salaries and wages	\$ 383,761	\$ 60,633	\$ 11,288	\$ 71,921	\$ 455,682
Payroll taxes	31,030	4,641	871	5,512	36,542
Fringe benefits	36,196	5,580	5,580	11,160	47,356
Total payroll related expenses	450,987	70,854	17,739	88,593	539,580
Civic classes	149,771	-	-	-	149,771
Occupancy	73,077	2,509	9,472	11,981	85,058
Internship	53,300	-	-	-	53,300
New Futures awards	51,322	-	-	-	51,322
Professional fees	7,178	8,180	5,479	13,659	20,837
Office expenses and supplies	4,036	5,237	2,265	7,502	11,538
Travel	6,646	2,074	452	2,526	9,172
Telephone	6,435	287	278	565	7,000
Insurance	-	5,975	-	5,975	5,975
Depreciation	2,124	3,186	-	3,186	5,310
Meetings	216	2,157	-	2,157	2,373
Printing & reproduction	617	726	481	1,207	1,824
Payroll processing fee	-	1,672	-	1,672	1,672
Postage and shipping	575	314	484	798	1,373
Marketing	-	1,067	-	1,067	1,067
Internet & IT expenses	403	161	43	204	607
Miscellaneous	153	1,665	517	2,182	2,335
Total	<u>\$ 806,840</u>	<u>\$ 106,064</u>	<u>\$ 37,210</u>	<u>\$ 143,274</u>	<u>\$ 950,114</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,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (17,404)	\$ (11,943)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,028	5,310
Contribution of marketable securities	(3,505)	-
Reinvestment of dividends	(119)	(72)
Unrealized (gain)loss on marketable securities	494	152
Decrease (increase) in operating assets:		
Accounts receivable	17	(17)
Grant and accounts receivable	(3,400)	(16,559)
Promises to give	6,000	36,740
Prepaid expenses	(294)	(1,546)
Increase (decrease) in operating liabilities:		
Accounts payable - trade	1,069	(11,812)
Accrued expenses	(1,039)	4,385
Deferred grant income	11,894	(4,321)
	<u> </u>	<u> </u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(3,259)	317
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	1,977	---
	<u> </u>	<u> </u>
NET CHANGE IN CASH	(1,282)	317
Cash and cash equivalents - January 1,	<u>256,725</u>	<u>256,408</u>
Cash and cash equivalents - December 31,	<u>\$ 255,443</u>	<u>\$ 256,725</u>
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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) released ASU2016-14 Not-for-Profit Entities (Topic 958). Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions include all assets received with donor designated restrictions whether they are perpetual in nature, or purpose or time restricted.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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, 2018 and 2017.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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, 2018 and 2017, the Organization was a recipient of classroom space valued at \$61,660 and \$57,140, respectively. Additionally, the Organization during the year ended December 31, 2017 received occupancy for a fundraiser valued at \$9,000. 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. 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.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

10. **Liquidity**

The Organization maintains a liquid cash balance through its checking account in an amount necessary to meet its anticipated expenditures for the next 90 days. The Organization reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Any restricted cash is separately identified and monitored as part of the Organization's monthly financial reporting process.

The Organization's financial assets available within one year to meet cash needs for general expenditures through December 31, 2019 are as follows:

Financial Assets:

Cash	\$ 255,443
Investment n Marketable Securities	3,176
Grants Receivable	117,579
Promises to Give	<u>54,000</u>
Total Financial Assets	430,198
Less amounts not available within one year	<u>-67,603</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$362,595</u>

11. **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, 2018 and 2017

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

12. 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.

13. 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.

14. 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.

15. Subsequent Events

Management has evaluated subsequent events through March 26, 2019, the date which the financial statements were available to be issued.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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 three times at one additional year each (ended June 30, 2018).	\$16,620 annual rental due in 12 equal monthly payments effective August 1, 2017, the monthly rent became \$1,420.

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, 2018 and 2017, the Organization is a recipient of a conditional promise to give from New Futures in the amounts of \$130,032, and \$172,985, respectively for various youths.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at the end of the year represent grants that have been received and with time or purpose restrictions by the grantor. As these funds are expended, the donor restrictions expire and the net assets with donor restrictions are reclassified to net assets without donor restrictions on the statement of activities.

Temporarily restricted net assets, by fund, as of December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Time or purpose restrictions:		
Civics	\$65,803	\$ 33,542
Internships	<u>1,800</u>	<u>1,800</u>
Total	<u>\$ 67,603</u>	<u>\$ 39,645</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.