

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

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

December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

May 13, 2021

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, 2020 and 2019 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, 2020 and 2019 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 & Crist, PC

Warren, Rhode Island

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

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 546,206	\$ 158,278
Investment in marketable securities	10,060	3,456
Grant receivable	162,993	184,041
Promises to give	71,250	82,500
Prepaid expenses	10,706	10,808
Total current assets	801,215	439,083
PROPERTY AND EQUIPMENT - At cost:		
Furniture and equipment	47,852	47,852
Less: accumulated depreciation and amortization	43,210	40,900
Property and equipment, net	4,642	6,952
OTHER ASSETS:		
Grants receivable and promises to give, net of current)	---	7,500
Security deposits	1,350	1,350
Total other assets	1,350	8,850
TOTAL	\$ 807,207	\$ 454,885

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT & REVENUE:			
Grant income	\$ 686,774	\$ 95,000	\$ 781,774
Contributions	193,913	-	193,913
Interest and dividend income	665	-	665
Net unrealized loss	(551)	-	(551)
Miscellaenous income	6,977	-	6,977
Net assets released from donor restrictions	30,234	(30,234)	-
 Total unrestricted support and reclassifications	 918,012	 64,766	 982,778
 EXPENSES:			
Program services	698,177	-	698,177
Support services			
Management and general	146,635	-	146,635
Fundraising	67,224	-	67,224
 Net expenses	 912,036	 -	 912,036
 Change in net assets	 5,976	 64,766	 70,742
Net assets, January 1, 2020	310,732	83,449	394,181
Net assets, December 31, 2020	\$ 316,708	\$ 148,215	\$ 464,923

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT & REVENUE:			
Grant income	\$ 782,301	\$ 113,132	\$ 895,433
Contributions	172,409	-	172,409
Interest and dividend income	439	-	439
Net unrealized and realized gain	139	-	139
Miscellaenous income	1,276	-	1,276
Net assets released from donor restrictions	97,286	(97,286)	-
 Total unrestricted support and reclassifications	 1,053,850	 15,846	 1,069,696
 EXPENSES:			
Program services	852,476	-	852,476
Support services			
Management and general	104,793	-	104,793
Fundraising	26,662	-	26,662
 Net expenses	 983,931	 -	 983,931
 Change in net assets	 69,919	 15,846	 85,765
Net assets, January 1, 2019	240,813	67,603	308,416
Net assets, December 31, 2019	\$ 310,732	\$ 83,449	\$ 394,181

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, 2020

	Program Services	Support Services			Total Support	Totals
		Management & General	Fundraising			
Salaries and wages	\$ 490,432	\$ 76,343	\$ 29,131	\$ 105,474	\$ 595,906	
Payroll taxes	41,150	5,844	2,239	8,083	49,233	
Fringe benefits	64,596	11,304	1,928	13,232	77,828	
Total payroll related expenses	596,178	93,491	33,298	126,789	722,967	
Occupancy	38,772	2,290	23,366	25,656	64,428	
Professional fees	-	31,707	5,750	37,457	37,457	
Civic classes	32,992	-	-	-	32,992	
Telephone and internet	10,888	151	291	442	11,330	
Office expenses and supplies	4,993	1,786	1,613	3,399	8,392	
Insurance	-	7,587	-	7,587	7,587	
Scholarships	4,000	-	-	-	4,000	
Staff training & meetings	2,069	1,771	79	1,850	3,919	
Research	3,418	-	-	-	3,418	
Depreciation	924	1,386	-	1,386	2,310	
Printing & reproduction	268	152	1,864	2,016	2,284	
Interest	-	2,063	-	2,063	2,063	
Internship	2,000	-	-	-	2,000	
Payroll processing fee	-	1,982	-	1,982	1,982	
Travel	1,528	223	50	273	1,801	
Fees	-	1,616	31	1,647	1,647	
Postage and shipping	147	427	882	1,309	1,456	
Miscellaneous	-	3	-	3	3	
Total	\$ 698,177	\$ 146,635	\$ 67,224	\$ 213,859	\$ 912,036	

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, 2019

	Support Services				<u>Totals</u>
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Support</u>	
Salaries and wages	\$ 431,808	\$ 58,071	\$ 9,347	\$ 67,418	\$ 499,226
Payroll taxes	33,604	4,446	712	5,158	38,762
Fringe benefits	49,660	6,678	1,075	7,753	57,413
Total payroll related expenses	515,072	69,195	11,134	80,329	595,401
Civic classes	168,493	-	-	-	168,493
Occupancy	77,888	2,285	388	2,673	80,561
Internship	52,100	-	-	-	52,100
Professional fees	1,130	8,108	9,107	17,215	18,345
Office expenses and supplies	4,770	5,582	2,829	8,411	13,181
New Futures awards	12,951	-	-	-	12,951
Travel	6,405	3,439	230	3,669	10,074
Insurance	-	7,297	-	7,297	7,297
Telephone	6,518	498	250	748	7,266
Staff training and meetings	898	3,177	158	3,335	4,233
Research	2,490	-	-	-	2,490
Scholarships	2,000	-	-	-	2,000
Payroll processing fee	-	1,877	-	1,877	1,877
Depreciation	675	1,012	-	1,012	1,687
Postage and shipping	404	440	788	1,228	1,632
Printing & reproduction	612	29	928	957	1,569
Fees	65	549	850	1,399	1,464
Miscellaneous	5	1,305	-	1,305	1,310
Total	<u>\$ 852,476</u>	<u>\$ 104,793</u>	<u>\$ 26,662</u>	<u>\$ 131,455</u>	<u>\$ 983,931</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,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 70,742	\$ 85,765
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,310	1,688
Contribution of marketable securities	(6,906)	(1,717)
Reinvestment of dividends	(249)	(130)
Unrealized & realized loss (gain) on marketable securities	551	(139)
Decrease (increase) in operating assets:		
Grants receivable	21,048	(66,462)
Promises to give	18,750	(36,000)
Prepaid expenses	102	(1,074)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(28,252)	878
Deferred grant income	58,987	(76,376)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	137,083	(93,567)
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	---	1,706
Purchase of furniture and fixtures	---	(5,304)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	---	(3,598)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	250,845	---
NET CHANGE IN CASH	387,928	(97,165)
Cash and cash equivalents - January 1,	158,278	255,443
Cash and cash equivalents - December 31,	\$ 546,206	\$ 158,278
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, 2020 and 2019

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 after-school programs of civic engagement.

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, 2020 and 2019

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, 2020 and 2019.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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 year ended December 31, 2020, the Organization received capacity building professional services valued at \$67,952. Additionally, the Organization during the year ended December 31, 2019 was a recipient of classroom space valued at \$61,185. 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, 2020 and 2019

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 30 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, 2021 are as follows:

Financial Assets:

Cash	\$ 546,206
Investment in Marketable Securities	10,060
Grants Receivable	162,993
Promises to Give	<u>71,250</u>
Total Financial Assets	790,509
Less amounts not available within one year	<u>-207,202</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$583,307</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, 2020 and 2019

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 May 26, 2021, the date which the financial statements were available to be issued.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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 Richmond Hwy., Alexandria, VA 22305-3023	One year, renewable, May 29, 2013, to June 30, 2014. This lease was renewed seven times at one additional year each (ended June 30, 2021).	\$17,700 annual rental due in 12 equal monthly payments effective August 1, 2017, the monthly rent became \$1,475.

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 June 30, 2019, the relationship between the two organizations changed. New Futures elected to disburse all payments directly.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE E – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	<u>2020</u>	<u>2019</u>
Organization	<u>\$71,250</u>	<u>\$90,000</u>
Receivables due in less than one year	\$71,250	\$82,500
Receivables due in one to two years	<u>-0-</u>	<u>7,500</u>
Net unconditional promises to give	<u>\$71,250</u>	<u>\$90,000</u>

NOTE F – 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, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Time or purpose restrictions:		
Civics	\$148,215	\$74,230
Computers and office equipment	<u>-0-</u>	<u>9,219</u>
Total	<u>\$148,215</u>	<u>\$83,449</u>

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. The Organization has the option each year to contribute to the plan on behalf of its employees. The retirement plan expense for years ended December 31, 2020 and 2019 were \$11,846 and \$4,800, respectively.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE H – CASH - CONCENTRATION OF RISK

The Organization maintains its cash in bank accounts that, at times, may exceed federally insured limits. The aggregate of all uninsured balances at December 31, 2020 was \$296,206. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss on cash and cash equivalents.

MARKETABLE SECURITIES - CONCENTRATION OF RISK

The Organization maintains an account with a brokerage firm. The account contains cash and securities. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Security Investor Protection Corporation. The brokerage firm maintains additional insurance to cover any significant credit risk on cash and cash equivalents. The Organization has not experienced any losses in such accounts. The Organization believes that it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE I – INVESTMENT IN MARKETABLE SECURITIES

The Organization classifies debt and equity securities into two categories, available-for-sale securities and held-to-maturity securities. All 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.

As of December 31, 2020 and 2019, detail of the unrealized gains and losses was as follows:

	Amortized <u>Cost</u>	Gross Unrealized <u>Gains</u>	Gross Unrealized <u>Losses</u>	Fair Market <u>Value</u>
Available-for-sale securities				
2020 Equity securities	<u>\$11,329</u>	<u>\$217</u>	<u>\$1,486</u>	<u>\$10,060</u>
2019 Equity securities	<u>\$ 4,175</u>	<u>\$ 6</u>	<u>\$725</u>	<u>\$ 3,456</u>

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE I – INVESTMENT IN MARKETABLE SECURITIES (continued)

On January 1, 2009, the Organization adopted certain provisions of ASC Topic 820. ASC Topic 820 clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability and establishes the following fair value hierarchy.

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the partners or managers have the ability to access.
- Level 2 inputs may include quoted prices for similar assets and liabilities in active intervals; and
- Level 3 inputs are unobservable inputs for the asset or liability that are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall with the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents financial assets that the Organization measured at fair value on a recurring basis as of December 31, 2020 and 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2020 Equity securities	<u>\$10,060</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$10,060</u>
2019 Equity securities	<u>\$ 3,456</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,456</u>

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE J – NOTES PAYABLE

As of December 31, 2020, the organization was liable on the following notes:

Paycheck Protection Program Loan (PPP). The note dated May 1, 2020 has a term of 24 months and an interest rate of 1.00%. The Organization has classified the note as a short-term liability because it anticipates forgiveness of the loan within the next year. The loan was forgiven on March 25, 2021	\$ 100,845
U.S. Small Business Administration Loan The note date July 13, 2020 has a term of 30 years at the rate of 2.75%. The note calls for monthly payments beginning on July 13, 2021 interest and principal and due on July 13, 2050. Each payment will be applied to accrued interest first and the balance, if any, will be applied to principal. The note is secured by all tangible and intangible property	<u>150,000</u>
Total	250,845
Less: current maturities	<u>100,845</u>
Long-term portion	<u>\$150,000</u>
Future maturities are as follows:	
For the year ended December 31, 2021	\$100,845
For the year ended December 31, 2022	1,470
For the year ended December 31, 2023	3,653
For the year ended December 31, 2024	3,755
For the year ended December 31, 2025 and thereafter	<u>141,122</u>
	<u>\$250,845</u>

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE K – SUBSEQUENT EVENT

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses as well as public schools. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.