

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

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

December 31, 2014 and 2013

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Farmer & First, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

"Grow Your Business With Us"

INDEPENDENT AUDITORS' REPORT

March 24, 2015

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, 2014 and 2013 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, 2014 and 2013, 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,

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 263,097	\$ 186,454
Investment in marketable securities	925	-
Grant receivable	77,796	38,932
Promises to give	54,976	71,426
Prepaid expenses	4,442	4,022
Total current assets	401,236	300,834
PROPERTY AND EQUIPMENT - At cost:		
Furniture and equipment	36,201	34,662
Less: accumulated depreciation and amortization	21,936	17,852
Property and equipment, net	14,265	16,810
OTHER ASSETS:		
Grants receivable, net of current portion	15,000	-
Security deposits	1,838	1,838
Total other assets	16,838	1,838
TOTAL	\$ 432,339	\$ 319,482

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

	2014	2013
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 12,062	\$ 4,983
Accrued expenses	31,375	19,258
Deferred grant income	<u>60,234</u>	<u>50,922</u>
Total current liabilities	<u>103,671</u>	<u>75,163</u>
 NET ASSETS:		
Unrestricted		
Operating	143,396	119,944
Board designated	<u>118,272</u>	<u>87,479</u>
	261,668	207,423
Temporarily restricted	<u>67,000</u>	<u>36,896</u>
Total net assets	<u>328,668</u>	<u>244,319</u>
TOTAL	<u>\$ 432,339</u>	<u>\$ 319,482</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 and other 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 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 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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	Support Services				<u>Totals</u>
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Support</u>	
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	<u>264,246</u>	<u>65,394</u>	<u>16,769</u>	<u>82,163</u>	<u>346,409</u>
Civic classes	108,466	-	-	-	108,466
New Futures awards	57,952	-	-	-	57,952
Internship	66,200	-	-	-	66,200
Occupancy	36,248	3,722	753	4,475	40,723
Professional fees	351	7,649	4,742	12,391	12,742
Travel	3,907	2,444	169	2,613	6,520
Office expenses and supplies	3,540	2,225	1,931	4,156	7,696
Telephone	5,391	284	302	586	5,977
Insurance	-	3,996	-	3,996	3,996
Depreciation	1,635	2,450	-	2,450	4,085
Internet & IT expenses	1,581	499	81	580	2,161
Printing & reproduction	358	-	100	100	458
Meetings	128	1,666	30	1,696	1,824
Payroll processing fee	-	1,402	-	1,402	1,402
Training	-	-	-	-	-
Postage and shipping	651	151	152	303	954
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)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	Support Services				<u>Totals</u>
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Support</u>	
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	<u>195,463</u>	<u>60,094</u>	<u>19,101</u>	<u>79,195</u>	<u>274,658</u>
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	<u>\$ 399,938</u>	<u>\$ 87,652</u>	<u>\$ 29,959</u>	<u>\$ 117,611</u>	<u>\$ 517,549</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,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 84,349	\$ (62,411)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,084	2,944
Contribution of marketable securities	(925)	-
Decrease (increase) in operating assets:		
Grant receivable	(53,864)	43,438
Promises to give	16,450	4,620
Prepaid expenses	(420)	653
Security deposits	---	(1,138)
Increase (decrease) in operating liabilities:		
Accounts payable - trade	7,079	(1,874)
Accrued expenses	12,117	3,846
Deferred grant income	9,312	(8,958)
	78,182	(18,880)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
	78,182	(18,880)
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Additions to property and equipment	(1,539)	(12,439)
NET CHANGE IN CASH		
	76,643	(31,319)
Cash and cash equivalents - January 1,	186,454	217,773
Cash and cash equivalents - December 31,	\$ 263,097	\$ 186,454
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, 2014 and 2013

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, 2014 and 2013.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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, 2014 and 2013.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

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, 2014 and 2013, the Organization was a recipient of classroom space valued at \$21,457 and \$14,693, respectively. Additionally, the Organization during the years ended December 31, 2014 and 2013 received professional services valued at \$2,443 and \$825, respectively. 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, 2014 and 2013

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, 2014 and 2013

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

14 **Subsequent Events**

Management has evaluated subsequent events through May 4, 2015, 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 Highway, Alexandria, VA 22301	One year May 29, 2013, to June 30, 2014. This lease was renewed for one additional year ended June 30, 2015	\$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.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE D - NEW FUTURES (continued)

As of December 31, 2014 and 2013, the Organization is a recipient of a conditional promise to give from New Futures in the amounts of \$58,829 and \$58,249, 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, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Civics	\$ 55,000	\$ 36,235
Montgomery County	-0-	661
Internships	<u>12,000</u>	<u>-0-</u>
Total	<u>\$ 67,000</u>	<u>\$ 36,896</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.