

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

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

December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

February 5, 2020

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, 2019 and 2018 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, 2019 and 2018 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,

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 158,278	\$ 255,443
Investment in marketable securities	3,456	3,176
Grant receivable	184,041	117,579
Promises to give	82,500	54,000
Prepaid expenses	10,808	9,734
Total current assets	439,083	439,932
PROPERTY AND EQUIPMENT - At cost:		
Furniture and equipment	47,852	42,548
Less: accumulated depreciation and amortization	40,900	39,212
Property and equipment, net	6,952	3,336
OTHER ASSETS:		
Grants receivable and promises to give, net of current)	7,500	---
Security deposits	1,350	1,350
Total other assets	8,850	1,350
TOTAL	\$ 454,885	\$ 444,618

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

	2019	2018
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 15,157	\$ 13,535
Accrued expenses	45,547	46,291
Deferred grant income	---	76,376
Total current liabilities	60,704	136,202
 NET ASSETS:		
Without Donor Restrictions		
Operating	257,957	203,692
Board designated	52,775	37,121
	310,732	240,813
With Donor Restrictions	83,449	67,603
Total net assets	394,181	308,416

TOTAL	\$ 454,885	\$ 444,618
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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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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
Miscellaneous income	1,276	-	1,276
Net assets released from donor restrictions	<u>97,286</u>	<u>(97,286)</u>	<u>-</u>
 Total unrestricted support and reclassifications	 <u>1,053,850</u>	 <u>15,846</u>	 <u>1,069,696</u>
EXPENSES:			
Program services	852,476	-	852,476
Support services			
Management and general	104,793	-	104,793
Fundraising	<u>26,662</u>	<u>-</u>	<u>26,662</u>
 Net expenses	 <u>983,931</u>	 <u>-</u>	 <u>983,931</u>
 Change in net assets	 69,919	 15,846	 85,765
Net assets, January 1, 2019	<u>240,813</u>	<u>67,603</u>	<u>308,416</u>
Net assets, December 31, 2019	<u>\$ 310,732</u>	<u>\$ 83,449</u>	<u>\$ 394,181</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, 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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services	Support Services			Total Support	Totals
		Management & General	Fundraising			
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 & 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	\$ 852,476	\$ 104,793	\$ 26,662	\$ 131,455	\$ 983,931	

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				Totals
	Program Services	Management & General	Fundraising	Total Support	
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	477,757	66,254	30,862	97,116	574,873
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)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 85,765	\$ (17,404)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,688	3,028
Contribution of marketable securities	(1,717)	(3,505)
Reinvestment of dividends	(130)	(119)
Unrealized & realized (gain) loss on marketable securities	(139)	494
Decrease (increase) in operating assets:		
Accounts receivable	---	17
Grant and accounts receivable	(66,462)	(3,400)
Promises to give	(36,000)	6,000
Prepaid expenses	(1,074)	(294)
Increase (decrease) in operating liabilities:		
Accounts payable - trade	1,622	1,069
Accrued expenses	(744)	(1,039)
Deferred grant income	(76,376)	11,894
	(93,567)	(3,259)
NET CASH USED BY OPERATING ACTIVITIES	(93,567)	(3,259)
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	1,706	1,977
Purchase of furniture and fixtures	(5,304)	---
	(3,598)	1,977
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	(3,598)	1,977
NET CHANGE IN CASH	(97,165)	(1,282)
Cash and cash equivalents - January 1,	255,443	256,725
Cash and cash equivalents - December 31,	\$ 158,278	\$ 255,443
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, 2019 and 2018

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, 2019 and 2018

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, 2019 and 2018.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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, 2019 and 2018, the Organization was a recipient of classroom space valued at \$61,185 and \$61,660, respectively. Additionally, the Organization during the year ended December 31, 2019 received after-school program trip expenses valued at \$2,200 and professional services valued at \$400. 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, 2019 and 2018

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, 2020 are as follows:

Financial Assets:

Cash	\$ 158,278
Investment n Marketable Securities	3,456
Grants Receivable	184,041
Promises to Give	<u>90,000</u>
Total Financial Assets	435,775
Less amounts not available within one year	<u>-136,224</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$299,551</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, 2019 and 2018

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 April 3, 2020, the date which the financial statements were available to be issued.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 six times at one additional year each (ended June 30, 2020).	\$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, the Organization is a recipient of a conditional promise to give from New Futures in the amount of \$130,032 for various youths.

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, 2019 and 2018

NOTE E – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	<u>2019</u>	<u>2018</u>
Organization	<u>\$90,000</u>	<u>\$54,000</u>
Receivables due in less than one year	\$ 82,500	\$54,000
Receivables due in one to two years	<u>7,500</u>	<u>-0-</u>
Net unconditional promises to give	<u>\$ 90,000</u>	<u>\$54,000</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, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Time or purpose restrictions:		
Civics	\$74,230	\$ 65,803
Computers and office equipment	9,219	-0-
Internships	<u>-0-</u>	<u>1,800</u>
Total	<u>\$ 83,449</u>	<u>\$ 67,603</u>

NOTE G – 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.

Liberty's Promise
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE H - 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.

NOTE I – 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.