

Students For Liberty, Inc.

Financial Statements
and Independent Auditors' Report

April 30, 2015 and 2014

Students For Liberty, Inc.

Financial Statements
April 30, 2015 and 2014

Contents

Independent Auditors' Report.....	1-2
<i>Financial Statements</i>	
Statements of Financial Position.....	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to Financial Statements.....	7-12
<i>Supplementary Information</i>	
Schedules of Functional Expenses	13-14

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Students for Liberty, Inc.

We have audited the accompanying financial statements of Students For Liberty, Inc. (SFL), which comprise the statements of financial position as of April 30, 2015 and 2014, the related statements of activities 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 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. Those standards require that we plan and perform the audit 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 auditor's 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 preparation 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 SFL as of April 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 13-14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Handwritten signature in black ink that reads "Rogers & Company PLLC". The signature is written in a cursive, flowing style.

Vienna, Virginia
August 31, 2015

Students For Liberty, Inc.

Statements of Financial Position April 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 435,534	\$ 1,097,422
Investments	660,356	518,145
Prepaid expenses and other assets	<u>28,719</u>	<u>14,507</u>
Total current assets	1,124,609	1,630,074
Property and equipment, net	5,681	12,268
Security deposits	<u>31,737</u>	<u>46,737</u>
Total assets	<u><u>\$ 1,162,027</u></u>	<u><u>\$ 1,689,079</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 76,862	\$ 237,508
Accrued expenses and other liabilities	52,911	24,190
Deferred rent	<u>41,857</u>	<u>49,402</u>
Total liabilities	<u>171,630</u>	<u>311,100</u>
Net Assets		
Unrestricted	478,718	1,110,163
Temporarily restricted	<u>511,679</u>	<u>267,816</u>
Total net assets	<u>990,397</u>	<u>1,377,979</u>
Total liabilities and net assets	<u><u>\$ 1,162,027</u></u>	<u><u>\$ 1,689,079</u></u>

See accompanying notes.

Students For Liberty, Inc.

Statement of Activities For the Year Ended April 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Contributions and support	\$ 1,933,462	\$ 1,102,486	\$ 3,035,948
Program fees	178,384	-	178,384
Investment income	51,259	-	51,259
Product sales	3,940	-	3,940
Released from restrictions	858,623	(858,623)	-
	<u>3,025,668</u>	<u>243,863</u>	<u>3,269,531</u>
Expenses			
Program services	2,915,124	-	2,915,124
Management and general	191,590	-	191,590
Development	550,399	-	550,399
	<u>3,657,113</u>	<u>-</u>	<u>3,657,113</u>
Change in Net Assets	(631,445)	243,863	(387,582)
Net Assets, beginning of year	<u>1,110,163</u>	<u>267,816</u>	<u>1,377,979</u>
Net Assets, end of year	<u>\$ 478,718</u>	<u>\$ 511,679</u>	<u>\$ 990,397</u>

See accompanying notes.

Students For Liberty, Inc.

Statement of Activities For the Year Ended April 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Contributions and support	\$ 2,435,668	\$ 379,888	\$ 2,815,556
Program fees	70,803	-	70,803
Investment income	81,036	-	81,036
Released from restrictions	112,072	(112,072)	-
	<u>2,699,579</u>	<u>267,816</u>	<u>2,967,395</u>
Expenses			
Program services	2,188,751	-	2,188,751
Management and general	288,415	-	288,415
Development	260,930	-	260,930
	<u>2,738,096</u>	<u>-</u>	<u>2,738,096</u>
Change in Net Assets	(38,517)	267,816	229,299
Net Assets, beginning of year	<u>1,148,680</u>	<u>-</u>	<u>1,148,680</u>
Net Assets, end of year	<u>\$ 1,110,163</u>	<u>\$ 267,816</u>	<u>\$ 1,377,979</u>

Students For Liberty, Inc.

Statements of Cash Flows
For the Years Ended April 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ (387,582)	\$ 229,299
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	6,587	8,186
Net realized and unrealized gains	(38,518)	(72,170)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses and other assets	(14,212)	1,766
Security deposits	15,000	(12,295)
Increase (decrease) in:		
Accounts payable	(160,646)	232,086
Accrued expenses and other liabilities	28,721	7,284
Deferred rent	(7,545)	49,402
	(558,195)	443,558
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(12,958)
Purchase of investments	(358,816)	(966)
Proceeds from investments	255,123	-
	(103,693)	(13,924)
Net (Decrease) Increase in Cash and Cash Equivalents	(661,888)	429,634
Cash and Cash Equivalents, beginning of year	1,097,422	667,788
Cash and Cash Equivalents, end of year	\$ 435,534	\$ 1,097,422

See accompanying notes.

Students For Liberty, Inc.

Notes to Financial Statements

April 30, 2015 and 2014

1. Nature of Operations

Students For Liberty, Inc. (SFL), located in Washington, DC, is a not-for-profit organization whose mission is to provide a unified, student-driven forum of support for students and student organizations dedicated to liberty. SFL endorses the principles that comprise liberty; economic freedom to choose how to provide for one's life; social freedom to choose how to live one's life; and intellectual and academic freedom.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

SFL's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of SFL or through the passage of time. Temporarily restricted net assets were \$511,679 and \$267,816 at April 30, 2015 and 2014, respectively.

Cash Equivalents

For the purpose of the statements of cash flows, SFL considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

Investments

Investments are recorded at fair value based on quoted market prices. Unrealized and realized gains and losses are reported as investment income and are included in the accompanying statements of activities.

Property and Equipment

Property and equipment valued at greater than \$500 with a useful life of more than one year are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The estimated useful life for office equipment is three years. Expenditures for maintenance and repairs, that do not extend the useful life of the equipment, are expensed when incurred.

Students For Liberty, Inc.

Notes to Financial Statements

April 30, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. SFL reports contributions and sponsorships as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor 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 statements of activities as net assets released from restrictions. Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period the contribution is received.

Program fees include event income, which is recognized as revenue in the period in which the related event or meeting occurs. Funds received in advance are recorded as deferred revenue.

Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, SFL has evaluated events and transactions for potential recognition or disclosure through August 31, 2015, the date the financial statements were available to be issued.

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2015 and 2014

3. Concentration of Credit Risk

Financial instruments that potentially subject SFL to significant concentrations of credit risk consist of cash and cash equivalents, and investments. SFL maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Depository Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). SFL has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

4. Investments and Fair Value Measurements

SFL follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. SFL recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

SFL uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2015 and 2014

4. Investments and Fair Value Measurements (continued)

The following table presents SFL's fair value hierarchy for those investments measured on a recurring basis as of April 30:

	Total fair value	Level 1	Level 2	Level 3
<u>2015:</u>				
Mutual funds – closed end	\$ 660,356	\$ 660,356	\$ -	\$ -
Total investments	<u>\$ 660,356</u>	<u>\$ 660,356</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2014:</u>				
Mutual funds – closed end	\$ 518,145	\$ 518,145	\$ -	\$ -
Total investments	<u>\$ 518,145</u>	<u>\$ 518,145</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income consists of the following for the years ended April 30:

	2015	2014
Interest and dividends	\$ 12,741	\$ 8,866
Net realized and unrealized gain	<u>38,518</u>	<u>72,170</u>
Total investment income	<u>\$ 51,259</u>	<u>\$ 81,036</u>

5. Property and Equipment

Property and equipment consists of the following at April 30:

	2015	2014
Office equipment	\$ 26,104	\$ 26,104
Less: accumulated depreciation	<u>(20,423)</u>	<u>(13,836)</u>
Property and equipment, net	<u>\$ 5,681</u>	<u>\$ 12,268</u>

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2015 and 2014

6. Operating Leases

On April 1, 2013, SFL entered into an office lease agreement, which commenced on June 1, 2013 and expires May 31, 2018. The lease contains rent abatement for the first five months and scheduled fixed rent increases for future periods. SFL records monthly rent expense in excess of rental payments under this lease, which is recognized as deferred rent in the accompanying financial statements.

In addition, SFL subleased office space in Berlin, Germany. This sublease commenced on April 7, 2014 and expired March 31, 2015.

Total rent expense under all operating leases for the years ended April 30, 2015 and 2014 was \$139,131 and \$126,364, respectively.

The future minimum lease payments under all operating leases are as follows for the years ending April 30:

2016	\$	134,443
2017		137,804
2018		141,249
2019		<u>11,965</u>
Total future minimum lease payments	\$	<u><u>425,461</u></u>

7. Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following purposes as of April 30:

	<u>2015</u>	<u>2014</u>
International Expansion	\$ 352,052	\$ 267,816
Charity Poker Tournament	49,027	-
India Project	44,779	-
LGBT Rights Conference	25,000	-
Peace, Love and Liberty Book	<u>40,821</u>	<u>-</u>
Total temporarily restricted net assets	<u><u>\$ 511,679</u></u>	<u><u>\$ 267,816</u></u>

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2015 and 2014

8. Income Taxes

SFL is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). For the years ended April 30, 2015 and 2014, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to SFL are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated SFL's tax positions and concluded that SFL's financial statements do not include any uncertain tax positions.

SUPPLEMENTARY INFORMATION

Students For Liberty, Inc.

Schedule of Functional Expenses For the Year Ended April 30, 2015

	Program Services	Management and General	Development	Total
Salaries and wages	\$ 580,259	\$ 116,393	\$ 139,214	\$ 835,866
Employee benefits	17,930	3,169	3,318	24,417
Payroll taxes	47,532	9,444	11,628	68,604
Bank charges and fees	7,848	1,161	5,946	14,955
Conferences and travel	1,335,856	1,109	72,318	1,409,283
Depreciation	-	6,587	-	6,587
Dues and subscriptions	13,484	1,455	2,068	17,007
Insurance	8,786	2,450	967	12,203
Miscellaneous	4,512	1,671	104	6,287
Office expenses	50,008	7,824	3,322	61,154
Postage and delivery	67,392	-	97,150	164,542
Printing	57,307	39	97,574	154,920
Professional fees	529,375	21,792	93,420	644,587
Programs	60,324	-	3,998	64,322
Rent	103,985	16,758	18,388	139,131
Scholarships	23,824	-	-	23,824
Taxes and licenses	2,150	225	267	2,642
Telephone and internet	4,552	1,513	717	6,782
Total Expenses	\$ 2,915,124	\$ 191,590	\$ 550,399	\$ 3,657,113

Students For Liberty, Inc.

Schedule of Functional Expenses For the Year Ended April 30, 2014

	Program Services	Management and General	Development	Total
Salaries and wages	\$ 467,131	\$ 36,235	\$ 105,593	\$ 608,959
Employee benefits	-	14,695	-	14,695
Payroll taxes	40,387	3,074	8,801	52,262
Advertising	6,335	-	88	6,423
Bank charges and fees	1,966	7,282	4,629	13,877
Computer expense	3,435	4,066	28	7,529
Conferences and travel	633,458	1,456	24,553	659,467
Depreciation	-	8,186	-	8,186
Insurance	-	7,566	-	7,566
Office expenses	25,490	25,550	4,804	55,844
Postage and printing	327,197	1,284	84,995	413,476
Professional fees	138,659	51,021	1,520	191,200
Programs	172,784	476	165	173,425
Rent	11,170	115,194	-	126,364
Scholarships	8,423	-	-	8,423
Taxes and licenses	-	5,132	-	5,132
Telephone and internet	115	2,034	79	2,228
Travel	348,408	3,052	25,675	377,135
Website	3,793	2,112	-	5,905
Total Expenses	\$ 2,188,751	\$ 288,415	\$ 260,930	\$ 2,738,096