

Students For Liberty, Inc.

Financial Statements
and Independent Auditors' Report

April 30, 2016 and 2015

Students For Liberty, Inc.

Financial Statements
April 30, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 14-15 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 "R" is large and stylized, with a loop at the top. The rest of the text is written in a cursive, handwritten style.

Vienna, Virginia
November 2, 2016

Students For Liberty, Inc.

Statements of Financial Position April 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 514,948	\$ 435,534
Investments	722,209	660,356
Grants receivable	100,000	-
Prepaid expenses and other assets	<u>18,452</u>	<u>28,719</u>
Total current assets	1,355,609	1,124,609
Property and equipment, net	19,419	5,681
Security deposits	<u>31,737</u>	<u>31,737</u>
Total assets	<u>\$ 1,406,765</u>	<u>\$ 1,162,027</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 165,170	\$ 76,862
Accrued expenses and other liabilities	42,029	52,911
Deferred rent	<u>32,872</u>	<u>41,857</u>
Total liabilities	<u>240,071</u>	<u>171,630</u>
Net Assets		
Unrestricted	915,196	478,718
Temporarily restricted	<u>251,498</u>	<u>511,679</u>
Total net assets	<u>1,166,694</u>	<u>990,397</u>
Total liabilities and net assets	<u>\$ 1,406,765</u>	<u>\$ 1,162,027</u>

See accompanying notes.

Students For Liberty, Inc.

Statement of Activities For the Year Ended April 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Contributions and support	\$ 1,916,821	\$ 1,050,543	\$ 2,967,364
In-kind contributions	261,718	-	261,718
Program fees	880,394	-	880,394
Product sales	15,564	-	15,564
Investment loss	(4,677)	-	(4,677)
Released from restrictions	1,310,724	(1,310,724)	-
	<u>4,380,544</u>	<u>(260,181)</u>	<u>4,120,363</u>
Expenses			
Program services	2,855,896	-	2,855,896
Management and general	484,586	-	484,586
Development	603,584	-	603,584
	<u>3,944,066</u>	<u>-</u>	<u>3,944,066</u>
Change in Net Assets	436,478	(260,181)	176,297
Net Assets, beginning of year	<u>478,718</u>	<u>511,679</u>	<u>990,397</u>
Net Assets, end of year	<u>\$ 915,196</u>	<u>\$ 251,498</u>	<u>\$ 1,166,694</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
Product sales	3,940	-	3,940
Investment income	51,259	-	51,259
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.

Statements of Cash Flows
For the Years Ended April 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ 176,297	\$ (387,582)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,800	6,587
Net realized and unrealized loss (gain)	22,154	(38,518)
Donated fixed assets	(28,019)	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(100,000)	-
Prepaid expenses and other assets	10,267	(14,212)
Security deposits	-	15,000
Increase (decrease) in:		
Accounts payable	88,308	(160,646)
Accrued expenses and other liabilities	(10,882)	28,721
Deferred rent	(8,985)	(7,545)
	163,940	(558,195)
Cash Flows from Investing Activities		
Purchase of property and equipment	(519)	-
Purchase of investments	(331,870)	(358,816)
Proceeds from investments	247,863	255,123
	(84,526)	(103,693)
Net Increase (Decrease) in Cash and Cash Equivalents	79,414	(661,888)
Cash and Cash Equivalents, beginning of year	435,534	1,097,422
Cash and Cash Equivalents, end of year	\$ 514,948	\$ 435,534

See accompanying notes.

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2016 and 2015

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 \$251,498 and \$511,679 at April 30, 2016 and 2015, 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 components of investment (loss) income and are included in the accompanying statements of activities.

Grants Receivable

Grants receivable consists of amounts due to be reimbursed to SFL for expenses incurred under grant agreements. The entire amount is expected to be collected within one year, and is recorded at net realizable value at April 30, 2016 and 2015. No allowance for doubtful accounts is recorded, as management believes that all receivables are fully collectible.

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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.

Revenue Recognition

All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. SFL reports grants and 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.

In-Kind Contributions

In-kind contributions consist of professional services, donated facilities, software, and other goods and are recognized at fair value at the time of donation. SFL also receives a substantial amount of services donated by volunteers in carrying out its programs. These services, however, are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-25-16, *Contributed Services*.

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.

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 supersedes most existing revenue recognition guidance under accounting principles generally accepted in the United States. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration an entity expects to be entitled to for those goods or services using a defined five-step process. More judgment and estimates may be required to achieve this principle than under existing accounting principles generally accepted in the United States of America. ASU 2014-09 is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients or (ii) a retrospective approach with the cumulative effect upon initial adoption recognized at the date of adoption, which includes additional footnote disclosures. SFL has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for nonpublic business entities for fiscal years beginning after December 15, 2019, and SFL is currently evaluating the impact of the pending adoption of ASU 2016-02.

In August 2016, the FASB issued ASU 2016-14, *Not-For-Profit Entities* (Topic 958). ASU 2016-04 simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The standard is effective for fiscal years beginning after December 15, 2017. SFL's first required year to adopt will be the year ending April 30, 2019. SFL has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, SFL has evaluated events and transactions for potential recognition or disclosure through November 2, 2016, the date the financial statements were available to be issued.

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 FASB 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
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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>2016:</u>				
Mutual funds – closed end	\$ 722,209	\$ 722,209	\$ -	\$ -
Total investments	\$ 722,209	\$ 722,209	\$ -	\$ -
<u>2015:</u>				
Mutual funds – closed end	\$ 660,356	\$ 660,356	\$ -	\$ -
Total investments	\$ 660,356	\$ 660,356	\$ -	\$ -

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

	2016	2015
Interest and dividends	\$ 17,477	\$ 12,741
Net realized and unrealized (loss) gain	(22,154)	38,518
Total investment (loss) income	\$ (4,677)	\$ 51,259

5. Property and Equipment

Property and equipment consists of the following at April 30:

	2016	2015
Office equipment	\$ 26,623	\$ 26,104
Software	28,019	-
Total property and equipment	54,642	26,104
Less: accumulated depreciation	(35,223)	(20,423)
Property and equipment, net	\$ 19,419	\$ 5,681

Students For Liberty, Inc.

Notes to Financial Statements
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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, 2016 and 2015 was \$126,739 and \$139,131, respectively.

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

2017	\$	137,804
2018		141,249
2019		<u>11,965</u>
Total future minimum lease payments	\$	<u><u>291,018</u></u>

7. Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
International Expansion	\$ 166,528	\$ 352,052
Rising Tide	50,000	-
RTX and CA Project	34,970	-
Charity Poker Tournament	-	49,027
India Project	-	44,779
LGBT Rights Conference	-	25,000
Peace, Love and Liberty Book	-	<u>40,821</u>
Total temporarily restricted net assets	<u><u>\$ 251,498</u></u>	<u><u>\$ 511,679</u></u>

Students For Liberty, Inc.

Notes to Financial Statements
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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, 2016 and 2015, 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, 2016

	Program Services	Management and General	Development	Total
Salaries and wages	\$ 688,344	\$ 47,983	\$ 233,011	\$ 969,338
Employee benefits	7,849	41,530	242	49,621
Payroll taxes	54,498	6,258	18,448	79,204
Bank charges and fees	86	23,819	-	23,905
Conferences and travel	1,239,680	15,172	63,335	1,318,187
Depreciation	3,472	11,328	-	14,800
Dues and subscriptions	41,489	8,739	4,098	54,326
Insurance	59	10,693	-	10,752
Miscellaneous	11,180	2,573	226	13,979
Office expenses	4,389	8,845	981	14,215
Postage and delivery	21,984	74	65,773	87,831
Printing	132,313	1,048	160,930	294,291
Professional fees	430,156	143,734	47,304	621,194
Rent	420	126,319	-	126,739
Equipment Rental	7,477	615	20	8,112
Scholarships	1,014	-	-	1,014
Taxes and licenses	-	14,864	-	14,864
Telephone and internet	3,036	4,881	1,216	9,133
In-Kind expenses	208,450	16,111	8,000	232,561
Total Expenses	\$ 2,855,896	\$ 484,586	\$ 603,584	\$ 3,944,066

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