



STUDENTS FOR LIBERTY

A F R E E R F U T U R E

Financial Statements

Students For Liberty, Inc.

Years ended April 30, 2019 and 2018



JANSEN VALK THOMPSON REAHM PC
Certified Public Accountants and Consultants

Students For Liberty, Inc.

Years ended April 30, 2019 and 2018

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Report of Independent Auditors

To the Board of Directors
Students For Liberty, Inc.

We have audited the accompanying financial statements of Students For Liberty, Inc., which comprise the statements of financial position as of April 30, 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 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.

Auditors' 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 from 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 Organization'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 Organization'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 Students For Liberty, Inc. as of April 30, 2019 and 2018, 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.

Adoption of New Accounting Standards

As described in Note A to the financial statements, Students for Liberty, Inc. adopted the provisions of Accounting Standards Update (ASU) No. 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, As of May 1, 2018 applied retrospectively to all years presented, except for the liquidity disclosure, which is reported prospectively, as allowed by the ASU. Our opinion is not modified with respect to this matter.

James V. Thompson  *Reahm PC*

Students For Liberty, Inc.

Statements of Financial Position

	April 30	
	2019	2018
Assets		
Cash	\$ 838,115	\$ 371,090
Digital currency	1,427	68
Pledges receivable	278,512	182,795
Prepaid expenses	70,995	16,381
Investments	282,039	345,750
Security deposits	5,025	36,762
Total assets	<u>\$ 1,476,113</u>	<u>\$ 952,846</u>
Liabilities		
Accounts payable	\$ 110,468	\$ 86,185
Accrued expenses	13,555	13,935
Security deposit	-	9,047
Deferred rent	-	1,924
Total liabilities	<u>124,023</u>	<u>111,091</u>
Net Assets		
Net assets without donor restrictions	1,307,289	821,305
Net assets with donor restrictions	44,801	20,450
Total net assets	<u>1,352,090</u>	<u>841,755</u>
Total liabilities and net assets	<u>\$ 1,476,113</u>	<u>\$ 952,846</u>

See accompanying notes to financial statements.

Students For Liberty, Inc.

Statement of Activities Year ended April 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 4,312,218	\$ 44,801	\$ 4,357,019
Program fees	626,529	-	626,529
Investment earnings, net of fees of \$2,056	5,396	-	5,396
Gain on investments	4,549	-	4,549
Change in fair value of digital currency	(7,206)	-	(7,206)
Rental income	9,047	-	9,047
In-kind contributions	107,750	-	107,750
Other revenue	7,900	-	7,900
Total support and revenue	5,066,183	44,801	5,110,984
Net assets released from restrictions	20,450	(20,450)	-
Total support, revenue and reclassifications	5,086,633	24,351	5,110,984
Expenses:			
Program services	3,893,454	-	3,893,454
Management and general	326,223	-	326,223
Fundraising	380,972	-	380,972
Total expenses	4,600,649	-	4,600,649
Change in net assets	485,984	24,351	510,335
Net assets, beginning of year	821,305	20,450	841,755
Net assets, end of year	\$ 1,307,289	\$ 44,801	\$ 1,352,090

See accompanying notes to financial statements.

Students For Liberty, Inc.

Statement of Activities
Year ended April 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 3,274,227	\$ -	\$ 3,274,227
Program fees	526,786	-	526,786
Investment earnings, net of fees of \$5,608	6,678	-	6,678
Gain on investments	30,911	-	30,911
Change in fair value of digital currency	(1,467)	-	(1,467)
Rental income	98,005	-	98,005
In-kind contributions	7,729	-	7,729
Other revenue	5,884	-	5,884
Total support and revenue	3,948,753	-	3,948,753
Net assets released from restrictions	59,376	(59,376)	-
Total support, revenue and reclassifications	4,008,129	(59,376)	3,948,753
Expenses:			
Program services	3,339,574	-	3,339,574
Management and general	546,978	-	546,978
Fundraising	448,159	-	448,159
Total expenses	4,334,711	-	4,334,711
Change in net assets	(326,582)	(59,376)	(385,958)
Net assets, beginning of year	1,147,887	79,826	1,227,713
Net assets, end of year	\$ 821,305	\$ 20,450	\$ 841,755

See accompanying notes to financial statements.

Students For Liberty, Inc.

Statement of Functional Expenses

Year ended April 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 876,944	\$ 123,334	\$ 150,792	\$ 1,151,070
Payroll taxes	68,112	9,350	12,677	90,139
Employee benefits	35,119	5,083	6,007	46,209
Accounting and legal	-	48,461	-	48,461
Advertising	105,577	30	847	106,454
Bank fees	1,738	35,163	-	36,901
Conferences and travel	1,269,708	12,349	89,283	1,371,340
Consultants and contractors	1,217,546	15,045	66,742	1,299,333
Dues and subscriptions	80,458	12,812	8,034	101,304
In-kind expenses	107,750	-	-	107,750
Insurance	-	11,382	-	11,382
Office supplies	1,257	11,857	5,269	18,383
Postage and delivery	4,468	151	19,999	24,618
Printing	48,557	2,262	20,140	70,959
Rent	-	20,542	-	20,542
Scholarships and stipends	19,516	10,021	-	29,537
Taxes and licenses	5,140	4,411	-	9,551
Technology	47,092	839	925	48,856
Utilities	3,147	3,253	84	6,484
Miscellaneous	1,325	(122)	173	1,376
Total	\$ 3,893,454	\$ 326,223	\$ 380,972	\$ 4,600,649

See accompanying notes to financial statements.

Students For Liberty, Inc.

Statement of Functional Expenses

Year ended April 30, 2018

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 732,896	\$ 123,572	\$ 210,978	\$ 1,067,446
Payroll taxes	56,510	10,562	15,353	82,425
Employee benefits	14,359	32,171	-	46,530
Accounting and legal	-	82,333	-	82,333
Advertising	43,317	411	2,000	45,728
Bank fees	481	34,267	116	34,864
Conferences and travel	1,183,262	13,266	63,784	1,260,312
Dues and subscriptions	38,898	5,710	6,422	51,030
In-kind expenses	7,729	-	-	7,729
Insurance	-	20,842	-	20,842
Office supplies	6,460	8,135	3,335	17,930
Postage and delivery	29,111	191	9,917	39,219
Printing	180,538	24,675	851	206,064
Professional services	983,718	11,779	134,911	1,130,408
Rent	-	166,717	-	166,717
Scholarships and stipends	34,450	70	-	34,520
Taxes and licenses	5,072	3,517	-	8,589
Technology	18,853	2,455	374	21,682
Utilities	585	2,767	63	3,415
Miscellaneous	3,335	3,538	55	6,928
Total	<u>\$ 3,339,574</u>	<u>\$ 546,978</u>	<u>\$ 448,159</u>	<u>\$ 4,334,711</u>

See accompanying notes to financial statements.

Students For Liberty, Inc.

Statements of Cash Flows

	Year ended April 30	
	2019	2018
Operating activities		
Change in net assets	\$ 510,335	\$ (385,958)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains on investments	(4,549)	(30,911)
Change in fair value of digital currency	7,206	1,467
Changes in operating assets and liabilities:		
Digital currency	(8,565)	(859)
Pledges receivable	(95,717)	(109,548)
Prepaid expenses	(54,614)	3,986
Accounts payable	24,283	(34,594)
Accrued expenses	(380)	(37,389)
Security deposits, net	22,690	4,022
Deferred rent	(1,924)	(17,338)
Total adjustments	(111,570)	(221,164)
Net cash provided by (used in) operating activities	398,765	(607,122)
Investing activities		
Purchase of investments	(376,191)	(278,742)
Proceeds from sales of investments	444,451	475,326
Net cash provided by investing activities	68,260	196,584
Net increase (decrease) in cash	467,025	(410,538)
Cash, beginning of year	371,090	781,628
Cash, end of year	\$ 838,115	\$ 371,090

See accompanying notes to financial statements.

Students For Liberty, Inc.

Notes to Financial Statements

Note A—Summary of Accounting Policies

Organization

Students For Liberty, Inc. (the “Organization”), located in Arlington, VA, 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. The Organization 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.

Basis of Accounting

The accompanying financial statements of the Organization are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization follows net asset accounting methods, whereby revenues are classified for accounting and reporting purposes into one of two net asset classes:

- Net assets without donor restrictions—net assets available for use in general operations which are not subject to donor-imposed restrictions.
- Net assets with donor restrictions—net assets subject to donor-imposed restrictions that may be temporary in nature, such as those that will be met either by actions of the Organization, the passage of time, or both. Other donor-imposed restrictions are perpetual in nature and require those resources be maintained permanently by the Organization. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

Management uses estimates and assumptions in preparing the Organization’s financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

Digital Currencies Translations and Remeasurements

The Organization uses digital currency, primarily Bitcoin, for certain operations abroad. The Organization classifies digital currency as an operating asset, which initially is translated to US dollars and recorded at cost, and subsequently remeasured at each reporting date based on the current fair value. The Organization considers this a Level 1 determination of fair value as the equivalency rate represents a generally well recognized quoted price in an active market for Bitcoins, which is accessible to the Organization on an ongoing basis. Realized gains and losses are determined on the basis of the cost of specific units sold and are presented net with unrealized gains and losses in the change in fair value of digital currency in the accompanying statements of activities.

In addition, the Organization maintains a Coinbase USD Wallet Account, which is linked to one of the Organization's bank accounts and enables the Organization to store US dollar balances on Coinbase for instant Bitcoin transactions. At April 30, 2019 and 2018, the Coinbase USD Wallet Account balance was \$57 and \$392, respectively, which is included in cash and cash equivalents in the accompanying statements of financial position.

Pledges Receivable

Pledges receivable are stated at amounts management expects to collect from outstanding balances. Management believes all balances are collectible and accordingly has not recorded a valuation allowance.

Investments

Investments of the Organization are maintained with an outside investment management company. Investments are stated at their fair values. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair values of exchange trade funds are determined by reference to quoted net asset values in active markets for identical assets, which is Level 1 of the fair value hierarchy established under the accounting standard for fair value measurements. Realized gains and losses are computed using the specific identification method. Unrealized gains and losses are included in the change in net assets.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

Property and Equipment

Property and equipment valued at greater than \$500 with a useful life of more than one year is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs that do not extend the useful life of the equipment are expensed when incurred. All assets as of April 30, 2019 and 2018 have been fully depreciated.

Revenue Recognition

Contributions are recognized as revenue when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the fiscal year in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. The value of this time cannot be determined objectively and therefore is not reflected in the accompanying financial statements.

Foreign Currency Transactions

The Organization has certain contracts that are denominated in foreign currencies. The net foreign currency transaction gains or losses resulting from exchange rate fluctuations on transactions denominated in a currency other than the US dollar are included in the accompanying statements of activities. The Organization had a net foreign currency transaction loss of \$7,206 and \$1,467 for the years ended April 30, 2019 and April 30, 2018, respectively.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated are compensation and benefits which are allocated on the basis of management's estimate of time and effort. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

Income Tax Status

The Internal Revenue Service has determined that the Organization is exempt from income tax under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies as a charitable organization as described in Section 170(c) and has been classified under Section 170(b)(1)(A)(vi) as an organization that is not a private foundation.

Accounting Change

During the year ended April 30, 2019, the Organization adopted the provisions of the Financial Accounting Standards Board Accounting Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in information about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted or permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note H).

The accompanying information from the 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14.

Subsequent Events

Subsequent events were evaluated through September 3, 2019, which is the date the financial statements were available to be issued.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note B—Cash

The Organization maintains all of its cash balances in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. The Company's cash balances are at times in excess of the \$250,000 insured limit. Management does not consider uninsured cash to be a significant risk.

Note C—Investments

Investments consist of as of April 30:

	2019	2018
Exchange traded funds:		
Equities	\$ —	\$ 241,594
Fixed income	—	96,194
Total mutual funds	—	337,788
Cash	282,039	7,962
	\$ 282,039	\$ 345,750

Note D—Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes at April 30:

	2019	2018
Program restricted—RTX and CA Project	\$ —	\$ 20,450
Program restricted—LibertyCon 2020	5,000	—
Program restricted—Liberty Caravan Project	39,801	—
Total net assets with donor restrictions	\$ 44,801	\$ 20,450

Note E—Operating Leases

On April 1, 2013, the Organization entered into an operating lease agreement for office space in Washington, D.C., which expired on May 31, 2018. The lease contained rent abatement for the first five months and scheduled fixed rent increases for future periods. The Organization recorded monthly rent expense, net of deferred rent amortization, in the accompanying financial statements. From June 1, 2017 through May 31, 2018, the Organization subleased this office space to another organization. The sublease called for a monthly payment to the Organization of \$9,047.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note E—Operating Leases (continued)

On June 1, 2017, the Organization entered into an operating lease agreement for new office space in Arlington, Virginia on a month-to-month basis. The terms of the lease call for a monthly payment of \$2,848.

Total rent expense under operating leases for the years April 30, 2019 and 2018, was \$11,495 (net of sublease rental income of \$9,047) and \$68,712 (net of sublease rental income of \$98,005), respectively.

Note F—Advertising

Advertising costs are expensed as incurred. Advertising expense was \$106,454 in 2019 and \$45,728 in 2018.

Note G—Commitments

The Organization has entered into a contract with an event center for its 2020 and 2021 conventions. The agreement requires payment of specified amounts for any cancellation of the contract within a certain number of days prior to the event.

Note H—Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$ 838,115
Digital currency	1,427
Pledges receivable	278,512
Investments	282,039
Total financial assets	<u>1,400,093</u>
Less those unavailable for general expenditure within one year due to donor restrictions	<u>(44,801)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,355,292</u>