



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, 2022 and 2021




JANSEN VALK THOMPSON REAHM PC
Certified Public Accountants and Consultants

Students For Liberty, Inc.

Years ended April 30, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Students for Liberty, Inc.

Opinion

We have audited the accompanying financial statements of Students for Liberty, Inc. (the Organization), which comprise the statements of financial position as of April 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of April 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Jansen Valle Thompson & Realm PC". The signature is written in a cursive, flowing style.

Students For Liberty, Inc.

Statements of Financial Position

	April 30	
	2022	2021
Assets		
Cash	\$ 3,023,632	\$ 2,190,681
Accounts receivable	3,761	-
Pledges receivable	2,047,986	573,317
Prepaid expenses	115,921	56,985
Digital assets	6,332	201
Total assets	<u>\$ 5,197,632</u>	<u>\$ 2,821,184</u>
Liabilities		
Accounts payable	\$ 155,681	\$ 32,328
Accrued expenses	44,213	20,088
Accrued federal income taxes	100	2,500
Deferred event revenue	-	260,299
Total liabilities	<u>199,994</u>	<u>315,215</u>
Net Assets		
Net assets without donor restrictions	1,983,479	1,552,961
Net assets with donor restrictions	3,014,159	953,008
Total net assets	<u>4,997,638</u>	<u>2,505,969</u>
Total liabilities and net assets	<u>\$ 5,197,632</u>	<u>\$ 2,821,184</u>

See accompanying notes to financial statements.

Students For Liberty, Inc.

Statement of Activities Year ended April 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 4,084,735	\$ 2,341,859	\$ 6,426,594
Program fees	331,045	-	331,045
Interest income	132	-	132
In-kind contributions	73,270	-	73,270
Advertising revenue	29,309	-	29,309
Other revenue	10,435	-	10,435
Net loss on foreign currency exchange	(4,760)	-	(4,760)
Total support and revenue	4,524,166	2,341,859	6,866,025
Net assets released from restrictions	280,708	(280,708)	-
Total support, revenue and reclassifications	4,804,874	2,061,151	6,866,025
Expenses:			
Program services	3,298,381	-	3,298,381
Management and general	479,298	-	479,298
Fundraising	596,677	-	596,677
Total expenses	4,374,356	-	4,374,356
Change in net assets	430,518	2,061,151	2,491,669
Net assets, beginning of year	1,552,961	953,008	2,505,969
Net assets, end of year	\$ 1,983,479	\$ 3,014,159	\$ 4,997,638

See accompanying notes to financial statements.

Students For Liberty, Inc.

Statement of Activities
Year ended April 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 3,062,902	\$ 899,491	\$ 3,962,393
Program fees	7,129	-	7,129
Interest income	416	-	416
In-kind contributions	39,452	-	39,452
Advertising revenue	20,805	-	20,805
Employee retention credit income	48,973	-	48,973
Other revenue	9,947	-	9,947
Net loss on foreign currency exchange	(1,717)	-	(1,717)
Total support and revenue	3,187,907	899,491	4,087,398
Net assets released from restrictions	81,779	(81,779)	-
Total support, revenue and reclassifications	3,269,686	817,712	4,087,398
Expenses:			
Program services	2,100,813	-	2,100,813
Management and general	341,283	-	341,283
Fundraising	494,546	-	494,546
Total expenses	2,936,642	-	2,936,642
Change in net assets	333,044	817,712	1,150,756
Net assets, beginning of year	1,219,917	135,296	1,355,213
Net assets, end of year	\$ 1,552,961	\$ 953,008	\$ 2,505,969

See accompanying notes to financial statements.

Students For Liberty, Inc.

Statement of Functional Expenses

Year ended April 30, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 558,388	\$ 120,030	\$ 392,708	\$ 1,071,126
Payroll taxes	41,056	9,200	27,303	77,559
Employee benefits	-	37,848	-	37,848
Accounting and legal	-	43,371	-	43,371
Advertising	165,420	1,238	1,355	168,013
Bank fees	602	23,786	-	24,388
Conferences and travel	872,770	16,818	20,218	909,806
Consultants and contractors	1,302,022	58,642	100,786	1,461,450
Dues and subscriptions	94,062	51,129	39,191	184,382
In-kind expenses	73,270	-	-	73,270
Income taxes	-	5,371	-	5,371
Insurance	-	9,051	-	9,051
Office supplies	1,574	9,666	1,382	12,622
Postage and delivery	2,250	164	1,685	4,099
Printing	44,113	2,621	11,883	58,617
Rent	-	190	-	190
Scholarships and stipends	9,584	13,554	-	23,138
Taxes and licenses	551	6,563	-	7,114
Technology	123,993	3,223	-	127,216
Uncollectible pledges	-	55,691	-	55,691
Utilities	3,048	3,074	20	6,142
Workers compensation	-	3,596	-	3,596
Miscellaneous	5,678	4,472	146	10,296
Total	\$ 3,298,381	\$ 479,298	\$ 596,677	\$ 4,374,356

See accompanying notes to financial statements.

Students For Liberty, Inc.

Statement of Functional Expenses

Year ended April 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 701,286	\$ 131,635	\$ 336,474	\$ 1,169,395
Payroll taxes	40,998	8,279	21,068	70,345
Employee benefits	27,557	5,172	13,222	45,951
Accounting and legal	-	14,361	-	14,361
Advertising	57,884	385	782	59,051
Bank fees	404	21,929	-	22,333
Conferences and travel	55,397	1,277	3,597	60,271
Consultants and contractors	1,007,081	84,595	66,828	1,158,504
Dues and subscriptions	73,234	15,928	21,428	110,590
In-kind expenses	39,452	-	-	39,452
Income taxes	-	4,278	-	4,278
Insurance	-	8,431	-	8,431
Office supplies	791	6,618	1,368	8,777
Postage and delivery	487	719	7,168	8,374
Printing	9,934	170	22,603	32,707
Rent	-	11,303	-	11,303
Returned grant	16,259	-	-	16,259
Scholarships and stipends	8,865	13,077	-	21,942
Taxes and licenses	79	4,983	-	5,062
Technology	55,539	10	8	55,557
Utilities	4,296	3,260	-	7,556
Workers compensation	-	1,556	-	1,556
Miscellaneous	1,270	3,317	-	4,587
Total	\$ 2,100,813	\$ 341,283	\$ 494,546	\$ 2,936,642

See accompanying notes to financial statements.

Students For Liberty, Inc.

Statements of Cash Flows

	Year ended April 30	
	2022	2021
Operating activities		
Change in net assets	\$ 2,491,669	\$ 1,150,756
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	(3,761)	31,988
Pledges receivable	(1,474,669)	(456,240)
Prepaid expenses	(58,936)	186,646
Security deposits, net	-	5,025
Digital assets	(6,131)	(66)
Accounts payable	123,353	(28,048)
Accrued expenses	24,125	18,463
Accrued federal income taxes	(2,400)	(472)
Deferred event revenue	(260,299)	(1,405)
Total adjustments	(1,658,718)	(244,109)
Net cash provided by operating activities	832,951	906,647
Net increase in cash	832,951	906,647
Cash, beginning of year	2,190,681	1,284,034
Cash, end of year	\$ 3,023,632	\$ 2,190,681

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 McLean, Virginia, 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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

Receivables

Receivables 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.

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, 2022 and 2021, have been fully depreciated.

Digital Assets

The Organization uses digital assets, primarily Bitcoin, for certain operations abroad. The Organization classifies digital assets as an intangible asset, which initially is translated to US dollars and recorded at cost. Digital assets are tested annually for impairment.

Revenue Recognition

Program fees consist of event registrations and sponsorships. Revenue from program fees is recognized when control, consisting of the rights and obligations associated with the sale, passes to the purchaser. This typically occurs when the event is held. Revenue received for future programs is deferred and recognized in the applicable year.

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 statement of activities as net assets released from restrictions.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

Revenue Recognition (continued)

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 \$4,760 and \$1,717 for the years ended April 30, 2022 and 2021, respectively.

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. The statement 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 (IRC). 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.

Advertising revenues are not directly related to the Organization's tax-exempt purpose and are subject to taxation as unrelated business income.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

Subsequent Events

Subsequent events were evaluated through October 12, 2022, which is the date the financial statements were available to be issued.

Note B—Cash

The Organization maintains its cash balances in several financial institutions. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. Money market funds of approximately \$2.7 million included in cash, are held at a brokerage firm and are not insured by the FDIC. Management does not consider uninsured cash to be a significant risk.

Note C—Pledges Receivables

Pledges receivable at April 30 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 1,416,505	\$ 573,317
Receivable in one year to five years	631,481	—
Total pledges receivable	<u>\$ 2,047,986</u>	<u>\$ 573,317</u>

No discount to net present value was recorded as the impact on the financial statements was not considered significant.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note D—Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Program restricted—Prometheus Fellowship	\$ 2,307,493	\$ —
Program restricted—Socratic camps	14,000	—
Program restricted—Fellowship for Freedom India	10,000	—
Program restricted—Speaking classes	10,366	—
Program restricted—LibertyCon 2022	—	5,000
Program restricted—Learn Liberty	36,327	44,625
Program restricted—Applied Economics for Africa	3,893	3,893
Program restricted—New Frontiers of Objectivism	572,738	726,935
Program restricted—SFL Academy	40,488	95,555
Program restricted—Property rights	—	20,000
Program restricted—Bhutan Leadership Forum	—	3,000
Purpose restricted—Marketing project	18,854	50,000
Purpose restricted—Travel	—	4,000
Total net assets with donor restrictions	<u>\$ 3,014,159</u>	<u>\$ 953,008</u>

Note E—Advertising

Advertising costs are expensed as incurred. Advertising expense was \$168,013 in 2022 and \$59,051 in 2021.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note F—Related Parties

In May 2020, the Organization spun off one of its programs into a separate IRC Section 501(c)(4) organization. As part of the transaction, the new entity received certain intangible assets valued at approximately \$660,000.

Beginning with the calendar quarter ended March 31, 2021, the new entity pays 10% of its revenue to the Organization, on a quarterly basis until the full amount is paid. The Organization has elected to treat these payments as unenforceable and will record any payments received as a contribution. The Organization received \$201,570 and \$26,025 from this agreement during the years ended April 30, 2022 and 2021, respectively.

Note G—Commitments

The Organization has entered into a contract with an event center for its fiscal year 2023 convention. The agreement requires payment of specified amounts for any cancellation of the contract with 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:

	<u>2022</u>	<u>2021</u>
Cash	\$ 3,023,632	\$ 2,190,681
Digital assets	6,332	201
Receivables	<u>2,051,747</u>	573,317
Total financial assets	5,081,711	2,764,199
Less those unavailable for general expenditure within one year due to donor restrictions	<u>(3,014,159)</u>	(953,008)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,067,552</u>	<u>\$ 1,811,191</u>

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note I—COVID-19

As a result of COVID-19, the Organization cancelled its main annual event in April 2021 and, as a result, program fees were significantly reduced in 2021. Also, the Organization was not able to attend other in person events and therefore conference and travel expenses were significantly reduced in 2021. The Organization utilized the Employee Retention Credit under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). This credit allowed the Organization to retain employees and provided a refundable credit on the employer's share of certain payroll taxes. The Organization received \$48,973 which is recorded as employee retention credit income in the accompanying 2021 statement of activities.

The duration and full effect of the pandemic are currently unknown, as the global situation continues to change. Currently, it is not possible to estimate the extent of any potential losses or to determine if any of the changes are other than temporary in nature. Accordingly, the accompanying financial statements do not include adjustments related to the effects of the pandemic.