



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, 2021 and 2020




JANSEN VALK THOMPSON REAHM PC
Certified Public Accountants and Consultants

Students For Liberty, Inc.

Years ended April 30, 2021 and 2020

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Independent Auditor's Report

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, 2021 and 2020, 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.

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 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, 2021 and 2020, 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 Standard

As described in Note A to the financial statements, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*, as of May 1, 2020, which establishes a new standard on revenue recognition. Our opinion is not modified with respect to this matter.

Jensen Valle Thompson & Realm PC

Students For Liberty, Inc.

Statements of Financial Position

	April 30	
	2021	2020
Assets		
Cash	\$ 2,190,681	\$ 1,284,034
Digital currency	201	135
Accounts receivable	2,386	34,374
Pledges receivable	570,931	114,691
Prepaid expenses	56,985	243,631
Security deposits	-	5,025
Total assets	<u>\$ 2,821,184</u>	<u>\$ 1,681,890</u>
Liabilities		
Accounts payable	\$ 32,328	\$ 60,376
Accrued expenses	20,088	1,625
Accrued federal income taxes	2,500	2,972
Deferred event revenue	260,299	261,704
Total liabilities	<u>315,215</u>	<u>326,677</u>
Net Assets		
Net assets without donor restrictions	1,552,961	1,219,917
Net assets with donor restrictions	953,008	135,296
Total net assets	<u>2,505,969</u>	<u>1,355,213</u>
Total liabilities and net assets	<u>\$ 2,821,184</u>	<u>\$ 1,681,890</u>

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
Change in fair value of digital currency	(1,717)	-	(1,717)
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
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 Activities
Year ended April 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 4,102,097	\$ 130,296	\$ 4,232,393
Program fees	89,618	-	89,618
Interest income	11,802	-	11,802
Change in fair value of digital currency	(7,039)	-	(7,039)
In-kind contributions	43,845	-	43,845
Advertising revenue	15,152	-	15,152
Employee retention credit income	24,487	-	24,487
Other revenue	11,174	-	11,174
Total support and revenue	4,291,136	130,296	4,421,432
Net assets released from restrictions	39,801	(39,801)	-
Total support, revenue and reclassifications	4,330,937	90,495	4,421,432
Expenses:			
Program services	3,720,466	-	3,720,466
Management and general	339,388	-	339,388
Fundraising	358,455	-	358,455
Total expenses	4,418,309	-	4,418,309
Change in net assets	(87,372)	90,495	3,123
Net assets, beginning of year	1,307,289	44,801	1,352,090
Net assets, end of year	\$ 1,219,917	\$ 135,296	\$ 1,355,213

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.

Statement of Functional Expenses

Year ended April 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 915,161	\$ 125,914	\$ 169,624	\$ 1,210,699
Payroll taxes	66,300	8,376	10,106	84,782
Employee benefits	20,739	2,853	3,844	27,436
Accounting and legal	-	15,375	-	15,375
Advertising	136,508	312	616	137,436
Bank fees	1,481	27,520	50	29,051
Bad debt	-	35,599	-	35,599
Conferences and travel	853,184	3,516	73,863	930,563
Consultants and contractors	1,422,545	43,964	63,127	1,529,636
Dues and subscriptions	99,194	15,465	16,582	131,241
In-kind expenses	43,845	-	-	43,845
Income taxes	-	2,972	-	2,972
Insurance	-	9,647	-	9,647
Office supplies	2,850	10,274	3,935	17,059
Postage and delivery	2,063	651	1,524	4,238
Printing	41,537	369	12,539	54,445
Rent	-	10,370	-	10,370
Scholarships and stipends	4,988	9,113	1,997	16,098
Taxes and licenses	5,820	7,731	-	13,551
Technology	97,916	3,417	30	101,363
Utilities	5,692	4,024	105	9,821
Workers compensation	-	1,214	-	1,214
Miscellaneous	643	712	513	1,868
Total	\$ 3,720,466	\$ 339,388	\$ 358,455	\$ 4,418,309

See accompanying notes to financial statements.

Students For Liberty, Inc.

Statements of Cash Flows

	Year ended April 30	
	2021	2020
Operating activities		
Change in net assets	\$ 1,150,756	\$ 3,123
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in fair value of digital currency	1,717	7,039
Changes in operating assets and liabilities:		
Digital currency	(1,783)	(5,747)
Accounts receivable	31,988	(34,374)
Pledges receivable	(456,240)	163,821
Prepaid expenses	186,646	(172,636)
Security deposits, net	5,025	-
Accounts payable	(28,048)	(50,092)
Accrued expenses	18,463	(11,930)
Accrued federal income taxes	(472)	2,972
Deferred event revenue	(1,405)	261,704
Total adjustments	(244,109)	160,757
Net cash provided by operating activities	906,647	163,880
Net increase in cash	906,647	163,880
Cash, beginning of year	1,284,034	1,120,154
Cash, end of year	\$ 2,190,681	\$ 1,284,034

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, 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

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)

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, 2021 and 2020, the Coinbase USD Wallet Account balance was \$1,651 and \$1,682, 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.

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, 2021 and 2020 have been fully depreciated.

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.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

Revenue Recognition (continued)

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.

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 \$1,717 and \$7,039 for the years ended April 30, 2021 and April 30, 2020, 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.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

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.

Accounting Change

During the year ended April 30, 2021, the Organization adopted the provisions of the Financial Accounting Standards Board Accounting Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which establishes a new standard on revenue recognition. This ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective May 1, 2020, the first day of its fiscal year, using the full retrospective method. The adoption of this ASU did not have a significant impact on the Organization's financial statements.

Subsequent Events

Subsequent events were evaluated through September 14, 2021, which is the date the financial statements were available to be issued.

Note B—Cash

The Organization maintains 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.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note C—Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Program restricted—LibertyCon 2022	\$ 5,000	\$ 5,000
Program restricted—Liberty Caravan Project	—	16,259
Program restricted—Learn Liberty	44,625	103,000
Program restricted—Applied Economics for Africa	3,893	3,893
Program restricted—Indiana Outreach	—	7,144
Program restricted—New Frontiers of Objectivism	726,935	—
Program restricted—SFL Academy	95,555	—
Program restricted—Property rights	20,000	—
Program restricted—Bhutan Leadership Forum	3,000	—
Purpose restricted—Marketing project	50,000	—
Purpose restricted—Travel	4,000	—
Total net assets with donor restrictions	<u>\$ 953,008</u>	<u>\$ 135,296</u>

Note D—Advertising

Advertising costs are expensed as incurred. Advertising expense was \$59,051 in 2021 and \$137,436 in 2020.

Note E—Related Parties

In January 2020, the Organization entered into a Memo of Understanding to spin off one of its programs into a separate IRC Section 501(c)(4) organization. The Memo of Understanding reflects that the new entity will receive certain intangible assets as part of the spin off from the Organization valued at approximately \$660,000. Effective May 1, 2020, the separate 501(c)(4) entity was created and received the intangible assets.

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 \$26,025 from this agreement during the year ended April 30, 2021.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note F—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>2021</u>	<u>2020</u>
Cash	\$ 2,190,681	\$ 1,284,034
Digital currency	201	135
Receivables	573,317	149,065
Total financial assets	<u>2,764,199</u>	<u>1,433,234</u>
Less those unavailable for general expenditure within one year due to donor restrictions	<u>(953,008)</u>	<u>(135,296)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,811,191</u>	<u>\$ 1,297,938</u>

Note G—Reclassifications

Certain amounts related to the year ended April 30, 2020 have been reclassified to conform to the presentation for the year ended April 30, 2021.

Note H—COVID-19

As a result of the global coronavirus (COVID-19) pandemic of 2020, businesses have been disrupted through mandated and voluntary closings and many organizations' financial positions have seen an anticipated change. As a result of COVID-19, the Organization cancelled its main annual event in both April 2020 and April 2021 and, as a result, program fees were significantly reduced in both years. Also, the Organization was not able to attend other in person events and therefore conference and travel expenses were significantly reduced from 2020. The Organization utilized the Employee Retention Credit under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). This allowed the Organization to retain employees and provided a refundable credit on the employer's share of some payroll taxes of 50% of up to \$10,000 in wages per employee paid by the Organization. The Organization received \$48,973 in 2021 and \$24,487 in 2020 which is recorded as employee retention credit income in the accompanying 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.