

Students For Liberty, Inc.

Financial Statements
and Independent Auditors' Report

April 30, 2014 and 2013

Students For Liberty, Inc.

Financial Statements
April 30, 2014 and 2013

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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 statement of financial position as of April 30, 2014, the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of SFL as of April 30, 2013, were audited by other auditors whose report, dated September 12, 2013, expressed an unmodified opinion on those statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information included on page 12 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. The information for the year ended April 30, 2013 on page 13 was subjected to the auditing procedures applied in the audit of the basic financial statements by other independent auditors, whose report, dated September 12, 2013, indicated that such information is fairly stated in all material respects to the basic statements as a whole.



Vienna, Virginia
February 3, 2015

Students For Liberty, Inc.

Statements of Financial Position April 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,097,422	\$ 667,788
Investments	518,145	445,009
Prepaid expenses and other assets	<u>14,507</u>	<u>16,273</u>
Total current assets	1,630,074	1,129,070
Property and equipment, net	12,268	7,496
Security deposits	<u>46,737</u>	<u>34,442</u>
Total assets	<u><u>\$ 1,689,079</u></u>	<u><u>\$ 1,171,008</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 237,508	\$ 5,422
Accrued expenses and other liabilities	24,190	16,906
Deferred rent	<u>49,402</u>	<u>-</u>
Total liabilities	<u>311,100</u>	<u>22,328</u>
Net Assets		
Unrestricted	1,110,163	1,148,680
Temporarily restricted	<u>267,816</u>	<u>-</u>
Total net assets	<u>1,377,979</u>	<u>1,148,680</u>
Total liabilities and net assets	<u><u>\$ 1,689,079</u></u>	<u><u>\$ 1,171,008</u></u>

Students For Liberty, Inc.

Statement of Activities For the Year Ended April 30, 2014

	Unrestricted	Temporarily Restricted	Total
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
Release from restrictions	112,072	(112,072)	-
Total revenue and support	<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
Total expenses	<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>

See accompanying notes.

Students For Liberty, Inc.

Statement of Activities For the Year Ended April 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions and support	\$ 1,836,485	\$ -	\$ 1,836,485
Program fees	60,567	-	60,567
Investment income	56,566	-	56,566
Other income	3,871	-	3,871
	<hr/>	<hr/>	<hr/>
Total revenue and support	1,957,489	-	1,957,489
	<hr/>	<hr/>	<hr/>
Expenses			
Program services	1,097,589	-	1,097,589
Management and general	171,613	-	171,613
Development	134,242	-	134,242
	<hr/>	<hr/>	<hr/>
Total expenses	1,403,444	-	1,403,444
	<hr/>	<hr/>	<hr/>
Change in Net Assets	554,045	-	554,045
	<hr/>	<hr/>	<hr/>
Net Assets, beginning of year	594,635	-	594,635
	<hr/>	<hr/>	<hr/>
Net Assets, end of year	<u>\$ 1,148,680</u>	<u>\$ -</u>	<u>\$ 1,148,680</u>

Students For Liberty, Inc.

Statements of Cash Flows
For the Years Ended April 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 229,299	\$ 554,045
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,186	3,536
Net realized and unrealized gains	(72,170)	(50,840)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses and other assets	1,766	(11,756)
Security deposits	(12,295)	(34,442)
Increase (decrease) in:		
Accounts payable	232,086	(17,064)
Accrued expenses and other liabilities	7,284	16,906
Deferred rent	49,402	-
	443,558	460,385
Cash Flows from Investing Activities		
Purchase of property and equipment	(12,958)	(5,075)
Purchase of investments	(966)	(394,169)
	(13,924)	(399,244)
Net cash used in investing activities	(13,924)	(399,244)
Net Increase in Cash and Cash Equivalents	429,634	61,141
Cash and Cash Equivalents, beginning of year	667,788	606,647
Cash and Cash Equivalents, end of year	\$ 1,097,422	\$ 667,788

See accompanying notes.

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2014 and 2013

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 and are in accordance with generally accepted accounting and reporting principles for not-for-profit organizations.

Classification of Net Assets

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 \$267,816 and \$0 at April 30, 2014 and 2013, 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 stated at fair value. Unrealized and realized gains and losses are reported as investment income and are included in the accompanying statements of activities.

Students For Liberty, Inc.

Notes to Financial Statements

April 30, 2014 and 2013

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 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.

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2014 and 2013

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 February 3, 2015, 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 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, 2014 and 2013

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>2014:</u>				
Mutual funds – closed end	\$ 518,145	\$ 518,145	\$ -	\$ -
Total investments	<u>\$ 518,145</u>	<u>\$ 518,145</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2013:</u>				
Mutual funds – closed end	\$ 445,009	\$ 445,009	\$ -	\$ -
Total investments	<u>\$ 445,009</u>	<u>\$ 445,009</u>	<u>\$ -</u>	<u>\$ -</u>

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

	2014	2013
Interest and dividends	\$ 8,866	\$ 5,726
Net realized and unrealized gain	72,170	50,840
Total investment income	<u>\$ 81,036</u>	<u>\$ 56,566</u>

5. Property and Equipment

SFL held the following property and equipment at April 30:

	2014	2013
Office equipment	\$ 26,104	\$ 13,146
Less: accumulated depreciation	(13,836)	(5,650)
Property and equipment, net	<u>\$ 12,268</u>	<u>\$ 7,496</u>

Depreciation and amortization expense was \$8,186 and \$3,536 for the years ended April 30, 2014 and 2013, respectively.

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2014 and 2013

6. Operating Leases

On June 18, 2012, SFL entered into office space lease under an operating lease agreement, which commenced on July 1, 2012 and expired on June 30, 2013. This lease ended and was not renewed. On April 1, 2013, SFL entered into a new 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 subleases office space in Berlin, Germany. This sublease commenced on April 7, 2014 and expires March 31, 2015 with an optional one-year lease extension period.

Total rent expense under all operating leases for the years ended April 30, 2014 and 2013 was \$126,364 and \$27,450, respectively.

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

2015	\$	145,824
2016		133,332
2017		136,664
2018		140,082
2019		11,965
		<hr/>
Total future minimum lease payments	\$	<u>567,867</u>

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the Students For Liberty International Expansion program and were \$267,816 at April 30, 2014. There were no temporarily restricted net assets at April 30, 2013.

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, 2014 and 2013, 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.

SUPPLEMENTAL INFORMATION

Students For Liberty, Inc.

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

	Program Services	Management and General	Development	Total
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	410	-	-	410
Depreciation and amortization	-	8,186	-	8,186
Events – room rental	38,152	-	-	38,152
Events – travel	40,205	-	1,230	41,435
Events – other expenses	468,697	169	19,401	488,267
Insurance	-	7,566	-	7,566
Meals and entertainment	85,994	1,287	3,922	91,203
Office expenses	25,490	25,550	4,804	55,844
Payroll	467,131	36,235	105,593	608,959
Payroll benefits	-	14,695	-	14,695
Payroll taxes	40,387	3,074	8,801	52,262
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 expense	11,170	115,194	-	126,364
Scholarships	8,423	-	-	8,423
Taxes and licenses	-	5,132	-	5,132
Telephone	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

Students For Liberty, Inc.

Schedule of Functional Expenses For the Year Ended April 30, 2013

	Program Services	Management and General	Development	Total
Advertising	\$ 27,000	\$ 601	\$ -	\$ 27,601
Bank charges and fees	2,131	9,843	-	11,974
Computer expense	135	6,231	-	6,366
Conferences	2,104	-	-	2,104
Depreciation and amortization	-	3,536	-	3,536
Events – room rental	19,158	-	-	19,158
Events – travel	10,665	(1,090)	174	9,749
Events – other expenses	128,773	39	15,079	143,891
Insurance	71	7,417	186	7,674
Meals and entertainment	183,559	557	2,137	186,253
Office expenses	24,025	18,583	5,684	48,292
Payroll	253,338	32,569	56,764	342,671
Payroll benefits	-	5,514	-	5,514
Payroll fees	-	296	-	296
Payroll taxes	18,532	2,414	3,977	24,923
Postage and printing	142,845	7,975	27,715	178,535
Professional fees	5,717	40,659	3,267	49,643
Programs	66,978	1,411	23	68,412
Rent expense	254	27,196	-	27,450
Repairs and maintenance	-	12	-	12
Taxes and licenses	-	2,334	-	2,334
Telephone	503	1,513	-	2,016
Travel	211,801	4,003	19,236	235,040
Total Expenses	\$ 1,097,589	\$ 171,613	\$ 134,242	\$ 1,403,444