

Students For Liberty, Inc.

Financial Statements
and Independent Auditors' Report

April 30, 2017 and 2016

Students For Liberty, Inc.

Financial Statements
April 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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, 2017 and 2016, 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 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 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, 2017 and 2016, 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 15-16 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.



Vienna, Virginia
September 6, 2017

Students For Liberty, Inc.

Statements of Financial Position April 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 781,628	\$ 470,178
Digital currency	676	-
Investments	511,423	766,979
Grants receivable	73,247	100,000
Prepaid expenses and other assets	<u>20,367</u>	<u>18,452</u>
Total current assets	1,387,341	1,355,609
Property and equipment, net	-	19,419
Security deposits	<u>31,737</u>	<u>31,737</u>
Total assets	<u><u>\$ 1,419,078</u></u>	<u><u>\$ 1,406,765</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 120,779	\$ 165,170
Accrued expenses and other liabilities	51,324	42,029
Deferred rent	<u>19,262</u>	<u>32,872</u>
Total liabilities	<u>191,365</u>	<u>240,071</u>
Net Assets		
Unrestricted	1,147,887	915,196
Temporarily restricted	<u>79,826</u>	<u>251,498</u>
Total net assets	<u>1,227,713</u>	<u>1,166,694</u>
Total liabilities and net assets	<u><u>\$ 1,419,078</u></u>	<u><u>\$ 1,406,765</u></u>

See accompanying notes.

Students For Liberty, Inc.

Statement of Activities For the Year Ended April 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions and grants	\$ 3,433,598	\$ 55,000	\$ 3,488,598
Program fees	377,185	-	377,185
In-kind contributions	52,675	-	52,675
Investment income	51,239	-	51,239
Change in fair value of digital currency	2,661	-	2,661
Other income	10,293	-	10,293
Released from restrictions	226,672	(226,672)	-
Total revenue and support	<u>4,154,323</u>	<u>(171,672)</u>	<u>3,982,651</u>
Expenses			
Program services	2,958,793	-	2,958,793
Management and general Development	447,067	-	447,067
	515,772	-	515,772
Total expenses	<u>3,921,632</u>	<u>-</u>	<u>3,921,632</u>
Change in Net Assets	232,691	(171,672)	61,019
Net Assets , beginning of year	<u>915,196</u>	<u>251,498</u>	<u>1,166,694</u>
Net Assets , end of year	<u>\$ 1,147,887</u>	<u>\$ 79,826</u>	<u>\$ 1,227,713</u>

See accompanying notes.

Students For Liberty, Inc.

Statement of Activities For the Year Ended April 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions and grants	\$ 1,916,821	\$ 1,050,543	\$ 2,967,364
Program fees	880,394	-	880,394
In-kind contributions	261,718	-	261,718
Investment loss	(4,873)	-	(4,873)
Other income	15,760	-	15,760
Released from restrictions	1,310,724	(1,310,724)	-
Total revenue and support	<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 Development	484,586	-	484,586
	603,584	-	603,584
Total expenses	<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>

Students For Liberty, Inc.

Statements of Cash Flows For the Years Ended April 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 61,019	\$ 176,297
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	19,419	14,800
Net realized and unrealized (gain) loss	(46,248)	18,166
Change in fair value of digital currency	(2,661)	-
Donated fixed assets	-	(28,019)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Digital currency	1,985	-
Grants receivable	26,753	(100,000)
Prepaid expenses and other assets	(1,915)	10,267
Increase (decrease) in:		
Accounts payable	(44,391)	88,308
Accrued expenses and other liabilities	9,295	(10,882)
Deferred rent	(13,610)	(8,985)
Net cash provided by operating activities	9,646	159,952
Cash Flows from Investing Activities		
Purchases of investments	(215,874)	(327,882)
Proceeds from sales of investments	570,919	247,863
Short-term investments, net	(53,241)	(5,383)
Purchase of property and equipment	-	(519)
Net cash provided by (used in) investing activities	301,804	(85,921)
Net Increase in Cash and Cash Equivalents	311,450	74,031
Cash and Cash Equivalents, beginning of year	470,178	396,147
Cash and Cash Equivalents, end of year	\$ 781,628	\$ 470,178

See accompanying notes.

Students For Liberty, Inc.

Notes to Financial Statements

April 30, 2017 and 2016

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.

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. Excluded from this definition of cash equivalents are amounts held for investments.

Digital Currencies Translations and Remeasurements

During the year ended April 30, 2017, SFL started using digital currency, primarily Bitcoins, for certain operations abroad. SFL 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. SFL 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 SFL 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. Bitcoins balance at April 30, 2017 was equivalent to \$676.

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Digital Currencies Translations and Remeasurements (continued)

In addition, SFL maintains a Coinbase USD Wallet Account, which is linked to one of SFL's bank accounts and enables SFL to store US dollar balances on Coinbase for instant Bitcoin transactions. At April 30, 2017, the Coinbase USD Wallet Account balance was \$8,160, which is included in cash and cash equivalents in the accompanying statements of financial position.

Investments

Investments are recorded at fair value based on quoted market prices. Unrealized and realized gains and losses are reported as components of investment income (loss) 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, 2017 and 2016. No allowance for doubtful accounts is recorded, as management believes that all receivables are fully collectible.

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 contributions and grants, 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.

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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*.

Foreign Currency Transactions

SFL has certain contracts that call for the use of transactions 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 financial statements. SFL had a net foreign currency transactions loss of \$1,435 for the year ended April 30, 2017 and net gain of \$196 for the year ended April 30, 2016, which is included in other income in the accompanying statements of activities.

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, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation. These reclassifications have no effect on the change in net assets previously reported.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in SFL's fiscal year 2021.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in SFL's fiscal year 2019.

Subsequent Events

In preparing these financial statements, SFL has evaluated events and transactions for potential recognition or disclosure through September 6, 2017, 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, digital currency, 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.

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2017 and 2016

4. Investments

Investments consist of the following at April 30:

	<u>2017</u>	<u>2016</u>
Fixed income	\$ 155,201	\$ 210,045
Equities	346,440	512,164
Money market	<u>9,782</u>	<u>44,770</u>
Total investments	<u>\$ 511,423</u>	<u>\$ 766,979</u>

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

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 9,972	\$ 17,477
Net realized and unrealized gain (loss)	46,248	(18,166)
Management fees	<u>(4,981)</u>	<u>(4,184)</u>
Total investment income (loss)	<u>\$ 51,239</u>	<u>\$ (4,873)</u>

5. 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.

Students For Liberty, Inc.

Notes to Financial Statements
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5. Fair Value Measurements (continued)

SFL uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 digital currency and investments. The following table presents SFL's fair value hierarchy for those assets measured on a recurring basis as of April 30:

	Total fair value	Level 1	Level 2	Level 3
<u>2017:</u>				
Digital currency	\$ 676	\$ 676	\$ -	\$ -
Investments:				
Fixed income	155,201	155,201	-	-
Equities	346,440	346,440	-	-
Money market	9,782	9,782	-	-
Total investments	511,423	511,423	-	-
Total assets at fair value	\$ 512,099	\$ 512,099	\$ -	\$ -
<u>2016:</u>				
Investments:				
Fixed income	\$ 210,045	\$ 210,045	\$ -	\$ -
Equities	512,164	512,164	-	-
Money market	44,770	44,770	-	-
Total assets at fair value	\$ 766,979	\$ 766,979	\$ -	\$ -

6. Property and Equipment

Property and equipment consists of the following at April 30:

	2017	2016
Software	\$ 28,019	\$ 28,019
Office equipment	519	26,623
Total property and equipment	28,538	54,642
Less: accumulated depreciation and amortization	(28,538)	(35,223)
Property and equipment, net	\$ -	\$ 19,419

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2017 and 2016

7. Operating Leases

On April 1, 2013, SFL entered into an operating lease agreement for an office space in Washington, D.C., which commenced on June 1, 2013 and expires on 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.

Subsequent to year-end, SFL subleased out this office space to a third-party organization, starting June 1, 2017 and expiring on May 31, 2018. The sublease calls for a monthly payment of \$9,047. Simultaneously, on June 1, 2017, SFL entered into an operating lease agreement for a 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 all operating leases for the years ended April 30, 2017 and 2016 was \$133,100 and \$126,739, respectively. The future net minimum lease payments and receipts under all operating leases are as follows for the years ending April 30:

	Lease Payments	Sublease Receipts	Net
2018	\$ 141,249	\$ (99,506)	\$ 41,743
2019	11,965	(9,046)	2,919
Total	\$ 153,214	\$ (108,552)	\$ 44,662

8. Temporarily Restricted Net Assets

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

	2017	2016
Program restricted:		
RTX and CA Project	\$ 24,826	\$ 34,970
International Expansion	-	166,528
Rising Tide	-	50,000
Time restricted	55,000	-
Total temporarily restricted net assets	\$ 79,826	\$ 251,498

Students For Liberty, Inc.

Notes to Financial Statements
April 30, 2017 and 2016

9. 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, 2017 and 2016, 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 the 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, 2017

	Program Services	Management and General	Development	Total
Salaries and wages	\$ 722,973	\$ 67,444	\$ 162,017	\$ 952,434
Employee benefits	524	20,000	60	20,584
Payroll taxes	56,630	5,308	11,037	72,975
Bank charges and fees	-	19,875	-	19,875
Conferences and travel	1,030,457	9,895	111,200	1,151,552
Depreciation and amortization	-	19,419	-	19,419
Dues and subscriptions	60,909	21,584	6,466	88,959
Insurance	-	13,406	-	13,406
Miscellaneous	14,836	1,390	393	16,619
Office expenses	3,657	4,766	1,393	9,816
Postage and delivery	32,080	136	51,206	83,422
Printing	184,371	1,616	69,821	255,808
Professional fees	699,176	26,112	97,665	822,953
Accounting and legal	427	81,222	-	81,649
Rent	-	133,100	-	133,100
Equipment rental	104	500	-	604
Scholarships	50,191	-	-	50,191
Taxes and licenses	832	2,184	-	3,016
Telephone and internet	1,105	5,190	984	7,279
In-kind expenses	52,675	-	-	52,675
Advertisement	33,745	-	657	34,402
Technology and web	14,101	13,920	2,873	30,894
Total Expenses	\$ 2,958,793	\$ 447,067	\$ 515,772	\$ 3,921,632

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 and amortization	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	56,535	47,304	533,995
Accounting and legal	-	87,199	-	87,199
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