



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, 2020 and 2019



JANSEN VALK THOMPSON REAHM PC
Certified Public Accountants and Consultants

Students For Liberty, Inc.

Years ended April 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Emphasis of Matter

As described in Note A to the financial statements, the Organization has been impacted by the Coronavirus pandemic. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, the Organization adopted the provisions of Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of May 1, 2019. Our opinion is not modified with respect to this matter.

Jensen Valle Thompson & Reahm PC

September 22, 2020

Students For Liberty, Inc.

Statements of Financial Position

	April 30	
	2020	2019
Assets		
Cash	\$ 1,284,034	\$ 1,120,154
Digital currency	135	1,427
Accounts receivable	34,374	-
Pledges receivable	114,691	278,512
Prepaid expenses	243,631	70,995
Security deposits	5,025	5,025
Total assets	<u>\$ 1,681,890</u>	<u>\$ 1,476,113</u>
Liabilities		
Accounts payable	\$ 60,376	\$ 110,468
Accrued expenses	1,625	13,555
Accrued federal income taxes	2,972	-
Deferred event revenue	261,704	-
Total liabilities	<u>326,677</u>	<u>124,023</u>
Net Assets		
Net assets without donor restrictions	1,219,917	1,307,289
Net assets with donor restrictions	135,296	44,801
Total net assets	<u>1,355,213</u>	<u>1,352,090</u>
Total liabilities and net assets	<u>\$ 1,681,890</u>	<u>\$ 1,476,113</u>

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
Other revenue	11,174	-	11,174
Total support and revenue	4,266,649	130,296	4,396,945
Net assets released from restrictions	39,801	(39,801)	-
Total support, revenue and reclassifications	4,306,450	90,495	4,396,945
Expenses:			
Program services	3,701,957	-	3,701,957
Management and general	336,841	-	336,841
Fundraising	355,024	-	355,024
Total expenses	4,393,822	-	4,393,822
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 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
Gain on investments	9,945	-	9,945
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 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	47,791	5,829	6,675	60,295
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	\$ 3,701,957	\$ 336,841	\$ 355,024	\$ 4,393,822

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.

Statements of Cash Flows

	Year ended April 30	
	2020	2019
Operating activities		
Change in net assets	\$ 3,123	\$ 510,335
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in fair value of digital currency	7,039	7,206
Changes in operating assets and liabilities:		
Digital currency	(5,747)	(8,565)
Accounts receivable	(34,374)	-
Pledges receivable	163,821	(95,717)
Prepaid expenses	(172,636)	(54,614)
Security deposits, net	-	22,690
Accounts payable	(50,092)	24,283
Accrued expenses	(11,930)	(380)
Accrued federal income taxes	2,972	-
Deferred event revenue	261,704	(1,924)
Total adjustments	160,757	(107,021)
Net cash provided by operating activities	163,880	403,314
Investing activities		
Proceeds from sales of investments	-	345,750
Net increase in cash	163,880	749,064
Cash, beginning of year	1,120,154	371,090
Cash, end of year	\$ 1,284,034	\$ 1,120,154

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, 2020 and 2019, the Coinbase USD Wallet Account balance was \$1,682 and \$57, 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, 2020 and 2019 have been fully depreciated.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

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 \$7,039 and \$7,206 for the years ended April 30, 2020 and April 30, 2019, 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. 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, 2020, the Organization adopted the provisions of the Financial Accounting Standards Board Accounting Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The adoption of this ASU did not have a significant impact on the Organization's financial statements.

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

As a result of COVID-19, the Organization cancelled its main annual event scheduled for April 2020. While some sponsors allowed the Organization to retain the funds and defer them until the 2021 event, a number of registrations and sponsorships were refunded prior to the end of the fiscal year. Additionally as a result of COVID-19, the Organization was notified that certain outstanding pledges were uncollectible. These amounts are included in the accompanying financial statements as bad debt expense. Additional financial impacts to the Organization are being assessed on an ongoing basis.

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note A—Summary of Accounting Policies (continued)

Subsequent Events

Subsequent events were evaluated through September 22, 2020, 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.

Note C—Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Program restricted—LibertyCon 2021	\$ 5,000	\$ —
Program restricted—LibertyCon 2020	—	5,000
Program restricted—Liberty Caravan Project	16,259	39,801
Program restricted—Learn Liberty	103,000	—
Program restricted—Applied Economics for Africa	3,893	—
Program restricted—Indiana Outreach	7,144	—
Total net assets with donor restrictions	<u>\$ 135,296</u>	<u>\$ 44,801</u>

Note D—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 D—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 \$850.

Total rent expense under operating leases for the years April 30, 2020 and 2019, was \$10,370 and \$11,495 (net of sublease rental income of \$9,047), respectively.

Note E—Advertising

Advertising costs are expensed as incurred. Advertising expense was \$137,436 in 2020 and \$106,454 in 2019.

Note F—Commitments

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

Note G—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:

	2020	2019
Cash	\$ 1,284,034	\$ 1,120,154
Digital currency	135	1,427
Receivables	149,065	278,512
Total financial assets	1,433,234	1,400,093
Less those unavailable for general expenditure within one year due to donor restrictions	(135,296)	(44,801)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,297,938	\$ 1,355,292

Students For Liberty, Inc.

Notes to Financial Statements (continued)

Note H—Reclassifications

Certain amounts related to the year ended April 30, 2019 have been reclassified to conform to the presentation for the year ended April 30, 2020.

Note I—Subsequent Events

In January 2020, the Organization entered into a Memo of Understanding to spin off one of its programs into a separate 501(c)(4). The Understanding reflects that the new entity will receive certain intangible assets as part of this spin off from the Organization for approximately \$660,000. As of May 1, 2020, the separate 501(c)(4) entity has been created, however the Organization and the new entity are in the last stages of finalizing the financial arrangements.

In June 2020, the Liberty Caravan Project ended due to COVID-19. The remaining balance of \$16,259 held in net assets with donor restrictions for this project was returned to the donor.