

America's Future Foundation

Financial Statements
and Independent Auditors' Report

December 31, 2017 and 2016

America's Future Foundation

Financial Statements
December 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
America's Future Foundation

We have audited the accompanying financial statements of America's Future Foundation ("the Organization"), which comprise the statements of financial position as of December 31, 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 controls 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 misstatements 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 the Organization as of December 31, 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 Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 12-13 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.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The "R" is large and stylized, with a loop that extends upwards and to the left. The rest of the text is written in a cursive, handwritten style.

Vienna, Virginia
June 7, 2018

America's Future Foundation

Statements of Financial Position December 31, 2017 and 2016

	2017	2016
Assets		
Cash	\$ 552,270	\$ 559,028
Prepaid expenses	16,426	4,578
Grant receivable	150,000	-
Intangible assets, net	-	247
Property and equipment, net	1,792	2,376
Deposits	2,200	2,200
Total assets	<u>\$ 722,688</u>	<u>\$ 568,429</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 14,286	\$ 15,715
Deferred revenue	500	-
Total liabilities	<u>14,786</u>	<u>15,715</u>
Net Assets		
Unrestricted	515,721	464,664
Temporarily restricted	192,181	88,050
Total net assets	<u>707,902</u>	<u>552,714</u>
Total liabilities and net assets	<u>\$ 722,688</u>	<u>\$ 568,429</u>

America's Future Foundation

Statement of Activities For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions and grant	\$ 868,330	\$ 153,000	\$ 1,021,330
Program fees	44,086	-	44,086
Membership dues	2,035	-	2,035
Other revenue	7,309	-	7,309
Interest income	292	-	292
Released from restrictions	48,869	(48,869)	-
Total revenue and support	<u>970,921</u>	<u>104,131</u>	<u>1,075,052</u>
Expenses			
Program services	<u>707,040</u>	<u>-</u>	<u>707,040</u>
Supporting services:			
Management and general	80,815	-	80,815
Fundraising	<u>132,009</u>	<u>-</u>	<u>132,009</u>
Total supporting services	<u>212,824</u>	<u>-</u>	<u>212,824</u>
Total expenses	<u>919,864</u>	<u>-</u>	<u>919,864</u>
Change in Net Assets	51,057	104,131	155,188
Net Assets, beginning of year	<u>464,664</u>	<u>88,050</u>	<u>552,714</u>
Net Assets, end of year	<u><u>\$ 515,721</u></u>	<u><u>\$ 192,181</u></u>	<u><u>\$ 707,902</u></u>

See accompanying notes.

America's Future Foundation

Statement of Activities For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions	\$ 767,483	\$ 100,000	\$ 867,483
Program fees	45,988	-	45,988
Membership dues	7,030	-	7,030
Other revenue	5,338	-	5,338
Interest income	383	-	383
Released from restrictions	11,950	(11,950)	-
	838,172	88,050	926,222
Expenses			
Program services	685,533	-	685,533
Supporting services:			
Management and general	93,746	-	93,746
Fundraising	126,389	-	126,389
	220,135	-	220,135
Total supporting services	220,135	-	220,135
Total expenses	905,668	-	905,668
Change in Net Assets	(67,496)	88,050	20,554
Net Assets, beginning of year	532,160	-	532,160
Net Assets, end of year	\$ 464,664	\$ 88,050	\$ 552,714

See accompanying notes.

America's Future Foundation

Statements of Cash Flows For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 155,188	\$ 20,554
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	831	3,458
Change in operating assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses	(11,848)	771
Grant receivable	(150,000)	-
Deposits	-	(2,200)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(1,429)	5,177
Deferred revenue	500	-
	(6,758)	27,760
Cash Flows from Investing Activity		
Purchases of property and equipment	-	(1,620)
	-	(1,620)
Net cash used in investing activity	-	(1,620)
Net (Decrease) Increase in Cash	(6,758)	26,140
Cash, beginning of year	559,028	532,888
Cash, end of year	\$ 552,270	\$ 559,028

See accompanying notes.

America's Future Foundation

Notes to Financial Statements
December 31, 2017 and 2016

1. Nature of Operations

America's Future Foundation ("the Organization") was incorporated in 1995 in Washington, D.C. and is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3). The Organization's mission is to identify and develop young professionals to become effective, lifelong advocates for freedom. Through the Organization's programs, members develop their writing, networking, and leadership capabilities and become policy analysts, think tank leaders, writers, journalists, strategists, entrepreneurs, and elected officials.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Organization'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 the Organization's operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or by the passage of time.

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.

Grant Receivable

Grant receivable represents amounts that have been promised but not yet received. No allowance for doubtful accounts has been recorded as management believes that all receivables are fully collectible. At December 31, 2017, all receivables are due within one year.

America's Future Foundation

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Intangible Assets

Intangible assets consist of costs related to the design and development of the Organization's website, net of accumulated amortization. Amortization began when the website became available for use as intended by management. Amortization is computed over an estimated useful life of three years. Costs associated with maintaining the website are expensed as incurred.

Property and Equipment

Property and equipment purchased at a cost of \$500 or more are capitalized and recorded at cost, or in the case of donated property, estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to five years.

Revenue Recognition

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports contributions and grants as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a grantor or 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. However, restrictions met in the same accounting period in which the related contribution was received are treated as unrestricted.

Program revenue includes event and seminar fees and is recognized at the time of the event or seminar.

Membership dues revenue is recognized ratably over the applicable dues period.

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.

America's Future Foundation

Notes to Financial Statements
December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (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 2020.

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 2018.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 7, 2018, the date the financial statements were available to be issued.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash. The Organization maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any credit losses on its cash to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

America's Future Foundation

Notes to Financial Statements
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4. Intangible Assets

Intangible assets consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Website development costs	\$ 8,875	\$ 8,875
Less: accumulated amortization	<u>(8,875)</u>	<u>(8,628)</u>
Intangible assets, net	<u>\$ -</u>	<u>\$ 247</u>

5. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 3,982	\$ 3,982
Less: accumulated depreciation	<u>(2,190)</u>	<u>(1,606)</u>
Property and equipment, net	<u>\$ 1,792</u>	<u>\$ 2,376</u>

6. Temporarily Restricted Net Assets

At December 31, 2017 and 2016, temporarily restricted net assets of \$192,181 and \$88,050, respectively, were restricted for support of the Chapters and developing local leaders for liberty.

7. Operating Leases

In September 2014, the Organization entered into a two-year cancelable lease for office facilities, which commenced on September 1, 2014 and expired on December 31, 2016, without renewal. Office rent expense was \$24,000 for the year ended December 31, 2016.

In October 2016, the Organization entered into a new membership agreement and moved its office to a shared office space in Arlington, VA. The membership start day was January 1, 2017 with a base monthly fee of \$2,200. This membership agreement is on a month-to-month basis and can be cancelled with one month's notice. Shared office rent was \$13,000 for the year ended December 31, 2017.

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Notes to Financial Statements
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7. Operating Leases (continued)

In addition, the Organization entered into a sublease agreement with an unrelated organization to rent out a portion of its office space. This sublease commenced on September 1, 2014 and expired August 31, 2016. Base monthly sublease payments were \$600 with an annual increase of 5% from the base rent. Rent income was \$4,410 for the year ended December 31, 2016, and is included in other revenue in the accompanying statements of activities.

8. Retirement Plan

The Organization has a simplified employee pension plan for all employees who have met certain age and service requirements. The Organization contributed 3% of eligible employees' compensations to the plan. Contributions by the Organization totaled \$8,671 and \$8,266 for the years ended December 31, 2017 and 2016, respectively, and are included in employee benefits in the accompanying schedules of functional expenses.

9. Local Chapters

As of December 31, 2017, the Organization had 27 local Chapters that share the same mission. The Chapters are not separate independent entities, and the Organization maintains control through affiliation agreements. All accounting functions are performed by the Organization and all accounts are included in the accompanying financial statements.

10. Income Taxes

The Organization is exempt from federal income tax under IRC Section 501(c)(3). In addition, the Organization qualifies as a charitable organization as described in IRC Section 170(b)(1)(A) and has been classified under IRC Section 509(a)(2) as an organization that is not a private foundation. Management has evaluated the Organization's tax positions and concluded that the financial statements do not include any uncertain tax positions.

SUPPLEMENTARY INFORMATION

America's Future Foundation

Schedule of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries	\$ 242,691	\$ 8,583	\$ 87,962	\$ 339,236
Payroll taxes	19,126	3,621	7,086	29,833
Employee benefits	39,127	7,494	13,763	60,384
Contract services	43,888	-	5,800	49,688
Consulting	108,369	10,000	2,880	121,249
Conference and events	64,669	-	422	65,091
Meetings space rental	16,130	-	-	16,130
Travel	107,379	1,155	2,420	110,954
Professional services	-	19,642	-	19,642
Office rent	-	13,000	-	13,000
Utilities	2,282	460	-	2,742
Office supplies	5,553	247	21	5,821
Postage	11,604	97	5,371	17,072
Printing	37,666	544	3,910	42,120
Office operations	4,123	14,197	2,265	20,585
Depreciation and amortization	-	831	-	831
Miscellaneous	4,433	944	109	5,486
Total Expenses	\$ 707,040	\$ 80,815	\$ 132,009	\$ 919,864

America's Future Foundation

Schedule of Functional Expenses For the Year Ended December 31, 2016

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries	\$ 231,758	\$ 10,000	\$ 82,465	\$ 324,223
Payroll taxes	15,184	995	7,110	23,289
Employee benefits	27,131	8,132	14,615	49,878
Contract services	49,950	-	3,600	53,550
Consulting	74,003	11,180	-	85,183
Conference and events	165,631	419	648	166,698
Meetings space rental	23,507	-	-	23,507
Travel	26,923	603	2,893	30,419
Professional services	-	18,757	-	18,757
Office rent	-	24,000	-	24,000
Utilities	1,799	4,329	-	6,128
Office supplies	9,289	740	161	10,190
Postage	21,723	409	7,660	29,792
Printing	28,954	54	4,967	33,975
Office operations	3,408	9,219	1,796	14,423
Depreciation and amortization	-	3,458	-	3,458
Miscellaneous	6,273	1,451	474	8,198
Total Expenses	\$ 685,533	\$ 93,746	\$ 126,389	\$ 905,668