



ARAMINTA FREEDOM INITIATIVE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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Independent Auditor's Report

To the Board of Directors
Araminta Freedom Initiative, Inc.

We have audited the accompanying financial statements of Araminta Freedom Initiative, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 audits 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 Araminta Freedom Initiative, Inc. as of December 31, 2016 and 2015, 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.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
July 14, 2017

ARAMINTA FREEDOM INITIATIVE, INC.
Statements of Financial Position
December 31, 2016 and 2015

	Assets	
	<u>2016</u>	<u>2015</u>
Current Assets		
Cash	\$ 56,960	\$ 26,014
Contributions receivable	24,300	15,730
Grants receivable	32,831	10,620
Inventory	1,466	2,540
Prepaid expenses and other current assets	2,425	2,451
Total Current Assets	<u>117,982</u>	<u>57,355</u>
Property		
Furniture and equipment	8,728	7,314
Computers	3,852	3,852
Total Cost	<u>12,580</u>	<u>11,166</u>
Less: Accumulated depreciation	8,643	5,748
Net Property	<u>3,937</u>	<u>5,418</u>
Other Assets		
Cash restricted for capital projects	55,701	-0-
Deposits	850	850
Total Other Assets	<u>56,551</u>	<u>850</u>
Total Assets	<u>\$ 178,470</u>	<u>\$ 63,623</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 2,822	\$ 14,111
Accrued expenses	22,512	21,268
Deferred revenue	26,773	-0-
Total Current Liabilities	<u>52,107</u>	<u>35,379</u>
Net Assets		
Unrestricted	69,562	27,544
Temporarily restricted	56,801	700
Total Net Assets	<u>126,363</u>	<u>28,244</u>
Total Liabilities and Net Assets	<u>\$ 178,470</u>	<u>\$ 63,623</u>

The accompanying notes are an integral part of these financial statements.

ARAMINTA FREEDOM INITIATIVE, INC.
Statements of Activities
Years Ended December 31, 2016 and 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	\$ 264,501	\$ 67,500	\$ 332,001
Grants	92,742	-0-	92,742
Special event revenue, net of expenses of \$18,657 (2015 - \$1,462)	56,593	-0-	56,593
Other revenue	1,422	-0-	1,422
Program income	350	-0-	350
Net assets released from restrictions	11,399	(11,399)	-0-
Total Support and Revenue	<u>427,007</u>	<u>56,101</u>	<u>483,108</u>
Expenses			
Program services	241,055	-0-	241,055
Management and general	114,001	-0-	114,001
Fundraising	29,933	-0-	29,933
Total Expenses	<u>384,989</u>	<u>-0-</u>	<u>384,989</u>
Change in Net Assets	42,018	56,101	98,119
Net Assets - Beginning of year	<u>27,544</u>	<u>700</u>	<u>28,244</u>
Net Assets - End of year	<u>\$ 69,562</u>	<u>\$ 56,801</u>	<u>\$ 126,363</u>

2015

Unrestricted	Temporarily Restricted	Total
\$ 240,196	\$ 700	\$ 240,896
10,620	-0-	10,620
6,844	-0-	6,844
2,556	-0-	2,556
438	-0-	438
-0-	-0-	-0-
<u>260,654</u>	<u>700</u>	<u>261,354</u>
179,134	-0-	179,134
83,520	-0-	83,520
20,001	-0-	20,001
<u>282,655</u>	<u>-0-</u>	<u>282,655</u>
(22,001)	700	(21,301)
49,545	-0-	49,545
<u>\$ 27,544</u>	<u>\$ 700</u>	<u>\$ 28,244</u>

The accompanying notes are an integral part of these financial statements.

ARAMINTA FREEDOM INITIATIVE, INC.
Statements of Functional Expenses
Years Ended December 31, 2016 and 2015

2016

	Program Services	Management and General	Fundraising	Total
Expenses				
Cost of merchandise	\$ 1,074	\$ -0-	\$ -0-	1,074
Communication and marketing	2,984	8,529	2,043	13,556
Depreciation	1,834	884	178	2,896
Dues and subscriptions	-0-	-0-	-0-	-0-
Donations	-0-	-0-	5,725	5,725
Insurance - general	338	3,038	-0-	3,376
Payroll, payroll taxes and benefits	200,751	62,218	21,274	284,243
Printing	1,292	2,856	713	4,861
Professional fees	6,807	21,415	-0-	28,222
Program supplies	17,542	-0-	-0-	17,542
Rent	3,083	7,193	-0-	10,276
Service fees	519	3,012	-0-	3,531
Office supplies and equipment	222	2,573	-0-	2,795
Travel, conference and meetings	4,264	1,478	-0-	5,742
Utilities	345	805	-0-	1,150
Total Expenses	\$ 241,055	\$ 114,001	\$ 29,933	\$ 384,989

2015

Program Services	Management and General		Fundraising	Total
\$ 934	\$ -0-	\$ -0-	\$ -0-	\$ 934
2,198	5,605	1,294		9,097
1,705	876	186		2,767
-0-	600	-0-		600
-0-	-0-	-0-		-0-
327	2,939	-0-		3,266
149,464	49,458	17,925		216,847
4,774	597	596		5,967
3,040	9,179	-0-		12,219
10,099	-0-	-0-		10,099
892	2,083	-0-		2,975
234	3,716	-0-		3,950
2,027	6,414	-0-		8,441
3,440	1,673	-0-		5,113
-0-	380	-0-		380
\$ 179,134	\$ 83,520	\$ 20,001		\$ 282,655

The accompanying notes are an integral part of these financial statements.

ARAMINTA FREEDOM INITIATIVE, INC.
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 98,118	\$ (21,301)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,896	2,767
Changes in operating assets and liabilities:		
Contributions receivable	(8,570)	(4,175)
Grants receivable	(22,211)	(10,620)
Inventory	1,074	934
Prepaid expenses and other current assets	26	(968)
Accounts payable	(11,289)	13,486
Accrued expenses	1,244	8,123
Deferred revenue	26,773	-0-
Net Cash Provided by (Used In) Operating Activities	<u>88,061</u>	<u>(11,754)</u>
Cash Flows From Investing Activities		
Purchase of property	<u>(1,414)</u>	<u>(3,866)</u>
Net Increase (Decrease) in Cash (Including cash restricted for capital projects)	86,647	(15,620)
Cash at Beginning of Year	<u>26,014</u>	<u>41,634</u>
Cash at End of Year (Including cash restricted for capital projects)	<u>\$ 112,661</u>	<u>\$ 26,014</u>

The accompanying notes are an integral part of these financial statements.

ARAMINTA FREEDOM INITIATIVE, INC.
Notes to Financial Statements
December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies

The Araminta Freedom Initiative, Inc. (the Organization) was incorporated in Maryland in 2011 as a nonprofit organization. The Organization serves the state of Maryland by providing anti-human trafficking services that prevent, intervene and provide resources for children affected by human trafficking. Prevention and intervention education trainings to identify and respond to child victims are provided in school systems throughout the state, as well as to community based organizations. Services for victims include a mentorship program, advocacy services and provisional resources. The organization also utilizes a volunteer program to actively engage the community in awareness campaigns and service opportunities. The accounting and reporting policies of the Organization conform to accounting principles generally accepted in the United States of America. Following is a description of the most significant of those policies:

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Presentation and Revenue Recognition: The Organization reports information regarding its financial position and changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. Upon the expiration of a restriction, temporarily restricted net assets are reclassified to unrestricted net assets in the statements of activities.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's action.

The Organization did not have any permanently restricted net assets at December 31, 2016 or 2015.

Contributions Receivable: Contributions receivable are recognized as revenue and receivables when the promise is received. Conditional promises are not recognized until they become unconditional; that is, in the period in which the conditions on which they depend are substantially met. Unconditional promises that are expected to be collected in a future period are recorded and discounted to their net present value. Management determines an allowance for uncollectible receivables by considering such factors as prior collection history. Receivables are written off by management when, in their determination, all appropriate collection efforts have been taken. The Organization has not recorded an allowance for uncollectible receivables as of December 31, 2016 and 2015, since in the opinion of management all receivables are fully collectible.

ARAMINTA FREEDOM INITIATIVE, INC.
Notes to Financial Statements
December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Grants Receivable: Grants receivable represent invoiced and uninvoiced amounts due for direct costs incurred. Grants receivable are considered delinquent after the invoice is ninety days old. The Organization does not accrue interest on delinquent receivables. Provision is made for uncollectible accounts based on anticipated collection losses. Estimated losses are generally determined from historical collection experience and a review of outstanding grants receivable. Grants receivable are written off by management, when in their determination, all appropriate collection efforts have been exhausted. The Organization has not recorded an allowance for doubtful accounts as of December 31, 2016 and 2015, since in the opinion of management all grants receivable are collectible.

Inventory: Inventory consists of books and t-shirts and is stated at the lower of cost, determined by the first-in, first-out method, or market.

Property and Depreciation: Property is stated at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of assets are capitalized. The Organization's threshold for capitalization is any acquisition that meets the above criteria and is greater than or equal to \$1,000. Depreciation expense for the years ended December 31, 2016 and 2015 was \$2,896 and \$2,767, respectively. Depreciation is computed using the straight-line method over the following estimated lives:

Furniture and equipment	5 Years
Computers	3 Years

Deferred Revenue: Grant revenue is recognized in accordance with grant agreements. Grant revenue received in advance is recorded as deferred revenue.

Donated Goods and Services: Donated goods are reflected in the accompanying financial statements at their estimated fair value at date of receipt. These amounts are included in total support and revenue and in total expense in the statement of activities. Several volunteers have donated their time to the Organization's program services and its fundraising campaigns. The value provided by these volunteers has not been recognized as no objective basis is available to measure such services and they do not meet the technical requirements for recording for financial statement purposes.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Costs that cannot be specifically identified with a particular function and that benefit more than one functional category are allocated on the basis of estimates of the portion of time expended by the staff on the various functions.

ARAMINTA FREEDOM INITIATIVE, INC.
Notes to Financial Statements
December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes: The Organization is exempt from federal and state income taxes under Internal Revenue Code §501(c)(3). Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Organization had no unrelated business income for the years ended December 31, 2016 and 2015. Accordingly, no provision for income taxes is reflected in these financial statements. The Organization's federal exempt organization tax returns are subject to examination by the Internal Revenue Service, generally for a period of three years after the returns are filed.

Subsequent Events: In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 14, 2017, the date the financial statements were available to be issued. During the period January 1, 2017 through July 14, 2017, the Organization did not have any material recognizable subsequent events.

Note 2: Temporarily Restricted Net Assets

As of December 31, 2016 and 2015, the Organization's temporarily restricted net assets are available for the following purposes:

	2016	2015
Program Services	\$ 1,100	\$ 700
Capital Projects	55,701	-0-
	\$ 56,801	\$ 700

Net assets were released from donor restrictions during the years ended December 31, 2016 and 2015, by incurring expenses satisfying the restricted purposes as follows:

	2016	2015
Program Services	\$ 5,086	\$ -0-
Capital Projects	6,313	-0-
	\$ 11,399	\$ -0-

ARAMINTA FREEDOM INITIATIVE, INC.
Notes to Financial Statements
December 31, 2016 and 2015

Note 3: Lease Commitments

In September 2015, the Organization entered into a noncancelable operating lease to occupy office space in Baltimore, Maryland with terms that were set to expire in September 2017. In December 2016, the Organization entered into an amended lease which included additional space and extended the lease through September 2018 at a monthly rate of \$1,809. Total rent expense related to this lease for the years ended December 31, 2016 and 2015 was \$10,276 and \$2,975, respectively.

Future minimum lease payments under the noncancelable lease are as follows:

Year ending December 31,	
2017	\$ 23,041
2018	<u>16,280</u>
Total	<u>\$ 39,321</u>

