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ARAMINTA FREEDOM INITIATIVE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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To the Board of Directors
Araminta Freedom Initiative, Inc.

Independent Auditor's Report

We have audited the accompanying financial statements of Araminta Freedom Initiative, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, 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 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, 2015, 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.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
April 28, 2016

ARAMINTA FREEDOM INITIATIVE, INC.
Statement of Financial Position
December 31, 2015

Assets

Current Assets				
Cash	$	26,014		
Contributions receivable		15,730		
Grant receivable		10,620		
Inventory		2,540		
Prepaid expenses and other current assets		3,301		
Total Current Assets			$	58,205
Property				
Furniture and equipment		7,314		
Computers		3,852		
Total Cost		11,166		
Less: Accumulated depreciation		5,748		
Net Property				5,418
Total Assets			$	63,623

Liabilities and Net Assets

Current Liabilities				
Accounts payable	$	14,111		
Accrued expenses		21,268		
Total Current Liabilities			$	35,379
Net Assets				
Unrestricted		27,544		
Temporarily restricted		700		
Total Net Assets				28,244
Total Liabilities and Net Assets			$	63,623

The accompanying notes are an integral part of this financial statement.

ARAMINTA FREEDOM INITIATIVE, INC.
Statement of Activities
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	$ 240,196	$ 700	$ 240,896
Grants	10,620	-0-	10,620
Special event revenue, net of expenses of $1,462	6,844	-0-	6,844
Other revenue	2,556	-0-	2,556
Program income	438	-0-	438
Total Support and Revenue	260,654	700	261,354
Expenses			
Program services	179,134	-0-	179,134
Management and general	83,520	-0-	83,520
Fundraising	20,001	-0-	20,001
Total Expenses	282,655	-0-	282,655
Change in Net Assets	(22,001)	700	(21,301)
Net Assets - Beginning of year	49,545	-0-	49,545
Net Assets - End of year	$ 27,544	$ 700	$ 28,244

The accompanying notes are an integral part of this financial statement.

ARAMINTA FREEDOM INITIATIVE, INC.
Statement of Functional Expenses
Year Ended December 31, 2015

	Program Services	Management and General	Fundraising	Total
Expenses				
Cost of merchandise	$ 934	$ -0-	$ -0-	$ 934
Communication and marketing	2,198	5,605	1,294	9,097
Depreciation	1,705	876	186	2,767
Dues and subscriptions	-0-	600	-0-	600
Insurance - general	327	2,939	-0-	3,266
Payroll, payroll taxes and benefits	149,464	49,458	17,925	216,847
Printing	4,774	597	597	5,967
Professional fees	3,040	9,179	-0-	12,219
Program supplies	10,099	-0-	-0-	10,099
Rent	893	2,083	-0-	2,975
Service fees	234	3,716	-0-	3,950
Office supplies and equipment	2,027	6,414	-0-	8,441
Travel, conference and meetings	3,440	1,673	-0-	5,113
Utilities	-0-	380	-0-	380
Total Expenses	$ 179,134	$ 83,520	$ 20,001	$ 282,655

The accompanying notes are an integral part of this financial statement.

ARAMINTA FREEDOM INITIATIVE, INC.
Statement of Cash Flows
Year Ended December 31, 2015

Cash Flows From Operating Activities		
Change in net assets	$ (21,301)	
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,767	
Changes in operating assets and liabilities:		
Contributions receivable	(4,175)	
Grants receivable	(10,620)	
Inventory	934	
Prepaid expenses and other current assets	(968)	
Accounts payable	13,486	
Accrued expenses	8,123	
Net Cash Used In Operating Activities		$ (11,754)
Cash Flows From Investing Activities		
Purchase of property		(3,866)
Net Decrease in Cash		(15,620)
Cash at Beginning of Year		41,634
Cash at End of Year		$ 26,014

The accompanying notes are an integral part of this financial statement.

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:

<u>Use of Estimates</u>: 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.

<u>Basis of Presentation and Revenue Recognition</u>: 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. The Organization had temporarily restricted net assets of $700 at December 31, 2015 that are restricted for program services.

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, 2015.

<u>Contributions Receivable</u>: 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, 2015, since in the opinion of management all receivables are fully collectible.

Note 1: Summary of Significant Accounting Policies (Continued)

Grants Receivable: Grants receivable represents invoiced and uninvoiced amounts due for direct costs incurred. Grants 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, 2015, since in their opinion 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. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. 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 year ended December 31, 2015 was \$2,767.

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.

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 year ended December 31, 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 April 28, 2016, the date the financial statements were available to be issued. During the period January 1, 2016 through April 28, 2016, the Organization did not have any material recognizable subsequent events.

Note 2: Lease Commitments

In September 2015, the Organization entered into a noncancelable operating lease to occupy office space in Baltimore, Maryland with terms that expire in September 2017. Total rent expense related to this lease for the year ended December 31, 2015 was $2,975.

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

Year ending December 31,	
2016	$ 10,289
2017	7,442
Total	$ 17,731

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