

**ARAMINTA FREEDOM INITIATIVE, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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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, 2018 and 2017, 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, 2018 and 2017, 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  
November 8, 2019

**ARAMINTA FREEDOM INITIATIVE, INC.**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 266,735	\$ 944,791
Brokerage certificates of deposit	337,804	-0-
Contributions receivable	21,447	47,764
Grants receivable	18,737	19,025
Inventory	1,012	1,140
Prepaid expenses and other current assets	5,405	2,866
Total Current Assets	<u>651,140</u>	<u>1,015,586</u>
<b>Property</b>		
Furniture and equipment	21,246	12,580
Less: Accumulated depreciation	15,272	11,184
Net Property	<u>5,974</u>	<u>1,396</u>
<b>Other Assets</b>		
Cash restricted for capital projects	55,716	55,709
Brokerage certificates of deposit	98,558	-0-
Website development costs	4,316	-0-
Deposits	850	850
Total Other Assets	<u>159,440</u>	<u>56,559</u>
<b>Total Assets</b>	<u>\$ 816,554</u>	<u>\$ 1,073,541</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 10,967	\$ 8,551
Accrued expenses	38,844	17,438
Total Current Liabilities	<u>49,811</u>	<u>25,989</u>
<b>Net Assets</b>		
Without donor restrictions	711,027	991,843
With donor restrictions	55,716	55,709
Total Net Assets	<u>766,743</u>	<u>1,047,552</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 816,554</u>	<u>\$ 1,073,541</u>

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

**ARAMINTA FREEDOM INITIATIVE, INC.**  
**Statements of Activities**  
**Years Ended December 31, 2018 and 2017**

	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
Contributions	\$ 265,652	\$ 4,538	\$ 270,190
Grants	81,977	-0-	81,977
Family trust bequest	-0-	-0-	-0-
Special event revenue, net of expenses of \$18,349 (2017 - \$15,829)	115,823	-0-	115,823
Other revenue	2,562	-0-	2,562
Investment income	1,370	-0-	1,370
Program income	5,228	-0-	5,228
Net assets released from restrictions	4,531	(4,531)	-0-
<b>Total Support and Revenue</b>	<b>477,143</b>	<b>7</b>	<b>477,150</b>
<b>Expenses</b>			
Program services	480,663	-0-	480,663
Management and general	175,744	-0-	175,744
Fundraising	101,552	-0-	101,552
<b>Total Expenses</b>	<b>757,959</b>	<b>-0-</b>	<b>757,959</b>
<b>Change in Net Assets</b>	<b>(280,816)</b>	<b>7</b>	<b>(280,809)</b>
<b>Net Assets - Beginning of year</b>	<b>991,843</b>	<b>55,709</b>	<b>1,047,552</b>
<b>Net Assets - End of year</b>	<b>\$ 711,027</b>	<b>\$ 55,716</b>	<b>\$ 766,743</b>

**2017**

<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 372,080	\$ 3,235	\$ 375,315
87,410	-0-	87,410
854,879	-0-	854,879
74,004	-0-	74,004
636	-0-	636
-0-	-0-	-0-
3,000	-0-	3,000
4,327	(4,327)	-0-
<u>1,396,336</u>	<u>(1,092)</u>	<u>1,395,244</u>
310,066	-0-	310,066
132,557	-0-	132,557
31,432	-0-	31,432
<u>474,055</u>	<u>-0-</u>	<u>474,055</u>
922,281	(1,092)	921,189
69,562	56,801	126,363
<u>\$ 991,843</u>	<u>\$ 55,709</u>	<u>\$ 1,047,552</u>

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

**ARAMINTA FREEDOM INITIATIVE, INC.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2018 and 2017**

	2018			
	Program Services	Management and General	Fundraising	Total
<b>Expenses</b>				
Cost of merchandise	\$ 104	\$ -0-	\$ -0-	\$ 104
Communication and marketing	14,536	3,250	13,500	31,286
Depreciation	2,569	953	566	4,088
Donations	36,938	-0-	-0-	36,938
Event supplies	732	-0-	-0-	732
Insurance - general	-0-	4,198	-0-	4,198
Payroll, payroll taxes and benefits	352,450	120,968	78,665	552,083
Printing	795	933	1,535	3,263
Professional fees	9,207	31,287	2,224	42,718
Program supplies	18,329	-0-	-0-	18,329
Rent	15,005	3,531	3,530	22,066
Service fees	1,358	672	104	2,134
Office supplies and equipment	5,633	1,430	803	7,866
Travel, conference and meetings	22,062	8,299	403	30,764
Utilities	945	223	222	1,390
<b>Total Functional Expenses</b>	<b>\$ 480,663</b>	<b>\$ 175,744</b>	<b>\$ 101,552</b>	<b>\$ 757,959</b>

**2017**

<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
\$ 325	\$ -0-	\$ -0-	\$ 325
2,885	8,386	4,257	15,528
1,606	792	143	2,541
9,450	-0-	-0-	9,450
-0-	-0-	-0-	-0-
-0-	3,955	-0-	3,955
247,869	73,310	24,464	345,643
3,232	745	2,004	5,981
855	23,266	250	24,371
15,358	-0-	-0-	15,358
10,639	10,721	-0-	21,360
533	1,496	-0-	2,029
8,393	2,594	-0-	10,987
8,318	6,685	314	15,317
603	607	-0-	1,210
<b>\$ 310,066</b>	<b>\$ 132,557</b>	<b>\$ 31,432</b>	<b>\$ 474,055</b>

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



**ARAMINTA FREEDOM INITIATIVE, INC.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (280,809)	\$ 921,189
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on brokerage certificates of deposit	(1,370)	-0-
Depreciation	4,088	2,541
Changes in operating assets and liabilities:		
Contributions receivable	26,317	(23,464)
Grants receivable	288	13,806
Inventory	128	326
Prepaid expenses and other current assets	(2,539)	(441)
Accounts payable	2,416	5,729
Accrued expenses	21,406	(5,074)
Deferred revenue	-0-	(26,773)
Net Cash Provided By (Used In) Operating Activities	<u>(230,075)</u>	<u>887,839</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of brokerage certificates of deposit	(559,992)	-0-
Proceeds from sale of brokerage certificates of deposit	125,000	-0-
Purchase of property	(12,982)	-0-
Net Cash Used In Investing Activities	<u>(447,974)</u>	<u>-0-</u>
<b>Net Increase (Decrease) in Cash</b> <b>(Including cash restricted for capital projects)</b>	<b>(678,049)</b>	<b>887,839</b>
<b>Cash at Beginning of Year</b> <b>(Including cash restricted for capital projects)</b>	<u><b>1,000,500</b></u>	<u><b>112,661</b></u>
<b>Cash at End of Year</b> <b>(Including cash restricted for capital projects)</b>	<u><u><b>\$ 322,451</b></u></u>	<u><u><b>\$ 1,000,500</b></u></u>

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

**ARAMINTA FREEDOM INITIATIVE, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**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:

Basis of Presentation: The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions.

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.

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, 2018 and 2017, since in the opinion of management all receivables are fully collectible.

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, 2018 and 2017, since in the opinion of management all grants receivable are collectible.

Brokerage Certificates of Deposit: The Organization carries brokerage certificates of deposit with various maturity dates. The Organization reports the certificates of deposit at fair value which approximates cost. Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.

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

**ARAMINTA FREEDOM INITIATIVE, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**Note 1: Summary of Significant Accounting Policies (Continued)**

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, 2018 and 2017 was \$4,088 and \$2,541, respectively. Depreciation is computed on furniture and equipment using the straight-line method over the estimated lives of three to five years.

Website Development Costs: Costs associated with the development of the Organization's website applications, infrastructure, graphics and content are capitalized and amortized under the straight-line method over a period of three years. Costs related to planning and operating the website are expensed as incurred. As of December 31, 2018, the Organization had capitalized costs of \$4,316. The website was not placed in service as of December 31, 2018. Accordingly, no amortization has been expensed.

Net Assets: Net assets, revenue, support, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions:* Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions:* Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Revenue Recognition: The Organization derives revenue primarily from contributions, grants, and special events income. Unconditional contributions are recognized in the year the contributions are pledged and/or received. Conditional grants are earned and recognized as revenue in proportion to the related expenditures incurred or when all conditions of the grant have been substantially met. Grants and contributions earned but not yet received are recorded as grants/contributions receivable. Grant proceeds received in advance and not yet earned are recorded as deferred revenue.

Contributions: Contributions received are recorded as without donor restrictions or with donor restriction support depending on the existence and/or nature of any donor restrictions. When the Organization is notified of the existence of a bequest or gift, an asset and contribution revenue is recorded.

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.

**ARAMINTA FREEDOM INITIATIVE, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**Note 1: Summary of Significant Accounting Policies (Continued)**

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.

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, 2018 and 2017. 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.

Recently Issued Accounting Pronouncements: During the year ended December 31, 2018, the Organization implemented the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* which is effective for fiscal years beginning after December 15, 2017. Accordingly the beginning balances of the donor restricted net asset categories (temporarily and permanently restricted) have been retroactively adjusted to consolidate all donor restricted net assets into one classification, *with donor restrictions*. The ASU requires additional disclosures in the areas of liquidity and requires reclassification of investment expenses which are netted in net investment return to include internal investment expenses.

The FASB issued Accounting Standard Update 2016-02, *Leases*, which will be effective for fiscal years beginning after December 15, 2019. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous guidance on leases. Lessor accounting is also largely unchanged. For lessees, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a related liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt the standard and will assess the future impact on any leases.

Reclassifications: Certain amounts previously reported in the financial statements for the year ended December 31, 2017 have been reclassified to conform to the financial statement presentation for the year ended December 31, 2018. These changes had no effect on previously reported net assets or changes in net assets.

Subsequent Events: In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 8, 2019, the date the financial statements were available to be issued. During the period January 1, 2019 through November 8, 2019, the Organization did not have any material recognizable subsequent events.

**ARAMINTA FREEDOM INITIATIVE, INC.**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**Note 2: Liquidity and Availability of Funds**

A summary of the 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:

	2018	2017
Cash	\$ 266,735	\$ 944,791
Contributions receivable	21,447	47,764
Brokerage certificates of deposit	337,804	-0-
Financial assets available to meet cash needs for general expenditures within one year	\$ 625,986	\$ 992,555

The Organization receives significant contributions and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability, and maintaining adequate liquid assets to fund near-term operating needs. In addition, the Organization invests cash in excess of daily requirements in certificates of deposit or other short-term investments.

**Note 3: Net Assets with Donor Restrictions**

As of December 31, 2018 and 2017, the Organization's net assets with donor restrictions are available for capital projects.

Net assets were released from donor restrictions during the years ended December 31, 2018 and 2017, by incurring expenses satisfying the restricted purposes as follows:

	2018	2017
Program Services	\$ 4,518	\$ 4,313
Capital Projects	13	14
	\$ 4,531	\$ 4,327

**Note 4: Lease Commitments**

The Organization leases office space in Baltimore, Maryland. The operating lease expired in September 2018. This lease is currently operating on a month-to-month basis. Total rent expense related to this lease for the years ended December 31, 2018 and 2017 was \$22,066 and \$21,360, respectively.

**Note 5: Uninsured Balances**

The Organization maintains its cash balances in various financial institutions. Periodically during the year, the Organization's cash balances have exceeded federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk on cash balances.

