

**ARAMINTA FREEDOM INITIATIVE, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

TABLE OF CONTENTS

	<u>Page Numbers</u>
Independent Auditor's Report.....	1
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Functional Expenses.....	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-12

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, 2019 and 2018, 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, 2019 and 2018, 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 10, 2020

ARAMINTA FREEDOM INITIATIVE, INC.
Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 413,046	\$ 266,735
Brokerage certificates of deposit	100,639	337,804
Contributions receivable	37,056	21,447
Grants receivable	39,819	18,737
Inventory	1,333	1,012
Prepaid expenses and other current assets	4,224	5,405
Total Current Assets	<u>596,117</u>	<u>651,140</u>
Property		
Furniture and equipment	23,544	21,246
Less: Accumulated depreciation	18,804	15,272
Net Property	<u>4,740</u>	<u>5,974</u>
Other Assets		
Cash restricted for capital projects	55,716	55,716
Brokerage certificates of deposit	-0-	98,558
Website development costs, net of amortization of \$1,295 (2018- \$0)	11,655	4,316
Deposits	850	850
Total Other Assets	<u>68,221</u>	<u>159,440</u>
Total Assets	<u>\$ 669,078</u>	<u>\$ 816,554</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 7,800	\$ 10,967
Accrued expenses	35,559	38,844
Total Current Liabilities	<u>43,359</u>	<u>49,811</u>
Net Assets		
Without donor restrictions	566,004	711,027
With donor restrictions	59,715	55,716
Total Net Assets	<u>625,719</u>	<u>766,743</u>
Total Liabilities and Net Assets	<u>\$ 669,078</u>	<u>\$ 816,554</u>

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

ARAMINTA FREEDOM INITIATIVE, INC.
Statements of Activities
Years Ended December 31, 2019 and 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 292,392	\$ 5,658	\$ 298,050
Grants	147,485	-0-	147,485
Special event revenue, net of expenses of \$26,107 (2018 - \$18,349)	100,599	-0-	100,599
Interest income	10,616	-0-	10,616
Unrealized gain (loss) on brokerage certificates of deposit	(723)	-0-	(723)
Other revenue	100	-0-	100
Program income	5,803	-0-	5,803
Net assets released from restrictions	1,659	(1,659)	-0-
Total Support and Revenue	557,931	3,999	561,930
Expenses			
Program services	466,122	-0-	466,122
Management and general	120,690	-0-	120,690
Fundraising	116,142	-0-	116,142
Total Expenses	702,954	-0-	702,954
Change in Net Assets	(145,023)	3,999	(141,024)
Net Assets - Beginning of year	711,027	55,716	766,743
Net Assets - End of year	\$ 566,004	\$ 59,715	\$ 625,719

2018

Without Donor Restrictions	With Donor Restrictions	Total
\$ 265,652	\$ 4,538	\$ 270,190
81,977	-0-	81,977
115,823	-0-	115,823
2,297	-0-	2,297
1,370	-0-	1,370
265	-0-	265
5,228	-0-	5,228
4,531	(4,531)	-0-
<u>477,143</u>	<u>7</u>	<u>477,150</u>
480,663	-0-	480,663
175,744	-0-	175,744
101,552	-0-	101,552
<u>757,959</u>	<u>-0-</u>	<u>757,959</u>
(280,816)	7	(280,809)
<u>991,843</u>	<u>55,709</u>	<u>1,047,552</u>
<u>\$ 711,027</u>	<u>\$ 55,716</u>	<u>\$ 766,743</u>

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

ARAMINTA FREEDOM INITIATIVE, INC.
Statements of Functional Expenses
Years Ended December 31, 2019 and 2018

	2019			
	Program Services	Management and General	Fundraising	Total
Expenses				
Cost of merchandise	\$ 419	\$ -0-	\$ -0-	\$ 419
Communication and marketing	10,131	1,541	9,283	20,955
Depreciation and amortization	3,283	772	772	4,827
Donations	5,969	-0-	-0-	5,969
Event supplies	2,561	-0-	-0-	2,561
Insurance - general	3,314	663	758	4,735
Miscellaneous	325	-0-	-0-	325
Office supplies and equipment	10,167	1,795	2,051	14,013
Payroll, payroll taxes and benefits	340,326	63,106	80,294	483,726
Printing	-0-	123	226	349
Professional fees	35,522	38,801	16,059	90,382
Program supplies	19,046	-0-	-0-	19,046
Rent	14,760	3,473	3,473	21,706
Service fees	2,800	704	1,050	4,554
Travel, conference and meetings	16,536	9,486	1,950	27,972
Utilities	963	226	226	1,415
Total Functional Expenses	\$ 466,122	\$ 120,690	\$ 116,142	\$ 702,954

2018

Program Services	Management and General	Fundraising	Total
\$ 104	\$ -0-	\$ -0-	\$ 104
12,562	2,089	13,500	28,151
2,569	953	566	4,088
36,938	-0-	-0-	36,938
732	-0-	-0-	732
-0-	4,198	-0-	4,198
-0-	-0-	-0-	-0-
7,287	2,591	803	10,681
352,450	120,968	78,665	552,083
795	933	1,535	3,263
9,207	31,287	2,224	42,718
18,649	-0-	-0-	18,649
15,005	3,531	3,530	22,066
1,358	672	104	2,134
22,062	8,299	403	30,764
945	223	222	1,390
\$ 480,663	\$ 175,744	\$ 101,552	\$ 757,959

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

ARAMINTA FREEDOM INITIATIVE, INC.
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (141,024)	\$ (280,809)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized (gain) loss on brokerage certificates of deposit	723	(1,370)
Depreciation and amortization	4,827	4,088
Changes in operating assets and liabilities:		
Contributions receivable	(15,609)	26,317
Grants receivable	(21,082)	288
Inventory	(321)	128
Prepaid expenses and other current assets	1,181	(2,539)
Accounts payable	(3,167)	2,416
Accrued expenses	(3,285)	21,406
Net Cash Used In Operating Activities	<u>(177,757)</u>	<u>(230,075)</u>
Cash Flows from Investing Activities		
Purchase of brokerage certificates of deposit	-0-	(559,992)
Proceeds from sale of brokerage certificates of deposit	335,000	125,000
Purchase of property	(2,298)	(8,666)
Purchase of website development costs	(8,634)	(4,316)
Net Cash Provided by (Used In) Investing Activities	<u>324,068</u>	<u>(447,974)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	146,311	(678,049)
Cash and Cash Equivalents at Beginning of Year	<u>322,451</u>	<u>1,000,500</u>
Cash and Cash Equivalents at End of Year	<u>\$ 468,762</u>	<u>\$ 322,451</u>
Reconciliation to Cash and Cash Equivalents and Restricted Cash to the Statements of Financial Position		
Cash and cash equivalents	\$ 413,046	\$ 266,735
Cash and cash equivalents, restricted for capital projects	<u>55,716</u>	<u>55,716</u>
Cash and Cash Equivalents on the Statements of Cash Flows	<u>\$ 468,762</u>	<u>\$ 322,451</u>

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

ARAMINTA FREEDOM INITIATIVE, INC.
Notes to Financial Statements
December 31, 2019 and 2018

Note 1: Nature of Organization and 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.

Cash and Cash Equivalents: The Organization classifies investments which are readily convertible to cash and which have a maturity of three months or less when purchased as cash equivalents.

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.

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, 2019 and 2018, 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, 2019 and 2018, since in the opinion of management all grants receivable are collectible.

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, 2019 and 2018

Note 1: Nature of Organization and 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, 2019 and 2018 was \$3,532 and \$4,088, 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, 2019 and 2018, the Organization had capitalized costs of \$12,950 and \$4,316, respectively. Amortization expense for the year ended December 31, 2019 was \$1,295. The website was not placed in service as of December 31, 2018.

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.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU which is collectively Accounting Standards Codification 606 (ASC 606) generally became effective for all private companies for years beginning after December 15, 2018. The Organization evaluated the applicability of ASC 606 for the year beginning January 1, 2019. The Organization determined it did not have revenue transactions which met the definition of "contracts with customers", therefore there has been no change to the revenue recognition policies of the Foundation.

ARAMINTA FREEDOM INITIATIVE, INC.
Notes to Financial Statements
December 31, 2019 and 2018

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

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.

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, generally based on 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, 2019 and 2018. 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: The FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash* which is effective for fiscal years beginning after December 15, 2018. The ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. The Organization adopted ASU 2016-18 effective January 1, 2019 and accordingly, the beginning balances of cash on the statements of cash flows have been adjusted to include restricted cash.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* which was effective for fiscal years beginning after December 15, 2018. The new guidance clarifies and improves accounting guidance for contributions received and contributions made. The amendments in the ASU provide specific criteria to 1) evaluate whether certain transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and 2) determine whether a contribution is conditional. The Organization adopted the ASU 2018-08 effective January 1, 2019 and determined there was no cumulative effect on the opening balance of net assets as a result of adopting this standard.

ARAMINTA FREEDOM INITIATIVE, INC.
Notes to Financial Statements
December 31, 2019 and 2018

Note 1: Nature of Organization and Summary of Significant Accounting Policies (Continued)

The FASB issued ASU 2016-02, *Leases*, which will be effective for fiscal years beginning after December 15, 2021. 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, 2018 have been reclassified to conform to the financial statement presentation for the year ended December 31, 2019. 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 10, 2020, the date the financial statements were available to be issued. During the period January 1, 2020 through November 10, 2020, the Organization did not have any material recognizable subsequent events.

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:

	2019	2018
Cash	\$ 413,046	\$ 266,735
Brokerage certificates of deposit	100,639	337,804
Contributions receivable	37,056	21,447
	\$ 550,741	\$ 625,986
Financial assets available to meet cash needs for general expenditures within one year	\$ 550,741	\$ 625,986

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.

ARAMINTA FREEDOM INITIATIVE, INC.
Notes to Financial Statements
December 31, 2019 and 2018

Note 3: Net Assets with Donor Restrictions

As of December 31, 2019 and 2018, 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, 2019 and 2018, by incurring expenses satisfying the restricted purposes as follows:

	2019	2018
Program Services	\$ 1,636	\$ 4,518
Capital Projects	23	13
	<u>\$ 1,659</u>	<u>\$ 4,531</u>

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, 2019 and 2018 was \$21,706 and \$22,066, 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.

Note 6: National Health Emergency

In March 2020, the President of the United States declared a national emergency due to a viral pandemic. The declaration of the national emergency and similar declarations made by various states, and the outbreak of the virus itself, will have far reaching social, economic, and financial impacts on the United States going forward. At this time, the impact on the operation and financial status of the Organization, if any, cannot be determined.

Subsequent to year end, the Organization applied for and received funds in the amount of \$100,050 under the Paycheck Protection Program (the PPP), which was created as a result of this pandemic. The proceeds are considered a forgivable loan, assuming certain qualified expenses, primarily payroll related expenses, are incurred during the eight week or 24-week period commencing on the date the loan proceeds are received. Any portion of this loan that does not qualify for forgiveness is subject to an interest rate of 1% and is payable in equal principal installments plus interest over an eighteen-month period commencing in November 2020 with a maturity date in April 2022. As of the date of this report, it has not been determined what portion of the loan under the PPP will be forgiven, if any.

