

*FREEDOM SCHOOL PARTNERS, INC.*

*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2016*

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***FREEDOM SCHOOL PARTNERS, INC.***  
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**December 31, 2016**

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# C. DEWITT FOARD & COMPANY, P.A.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Freedom School Partners, Inc.  
Charlotte, North Carolina

We have audited the accompanying financial statements of Freedom School Partners, Inc. (the "Organization" - a nonprofit corporation), which comprise the statement of financial position as of December 31, 2016, 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 of 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 in the first paragraph present fairly, in all material respects, the financial position of Freedom School Partners, Inc., as of December 31, 2016 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.

### Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and our report dated April 11, 2016, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*C. DeWitt Foard & Company, P.A.*  
April 18, 2017

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**FREEDOM SCHOOL PARTNERS, INC.****STATEMENT OF FINANCIAL POSITION****December 31, 2016, With Prior Year Comparative Totals**

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	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
Cash	\$ 889,447	\$ 795,733
Receivables:		
Promises to give	13,000	-
Sales tax refund	3,902	3,054
Stock proceeds	3,627	-
Other	-	697
Prepaid expenses	6,740	29,313
Property and equipment, net of accumulated depreciation	3,579	7,580
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 920,295</u></b>	<b><u>\$ 836,377</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 68,203	\$ 62,193
<u>Total Liabilities</u>	<u>68,203</u>	<u>62,193</u>
Net Assets:		
Unrestricted:		
Undesignated	527,743	267,031
Designated	307,149	308,976
<u>Total Unrestricted Net Assets</u>	<u>834,892</u>	<u>576,007</u>
Temporarily restricted	17,200	198,177
<u>Total Net Assets</u>	<u>852,092</u>	<u>774,184</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 920,295</u></b>	<b><u>\$ 836,377</u></b>

**FREEDOM SCHOOL PARTNERS, INC.****STATEMENT OF ACTIVITIES****Year Ended December 31, 2016, With Prior Year Comparative Totals**

	December 31, 2016			Prior Year Comparative Totals
	Unrestricted	Temporarily Restricted	Totals	
<b><u>SUPPORT AND REVENUE</u></b>				
Contributions:				
Cash	\$ 2,411,476	\$ 17,200	\$ 2,428,676	\$ 2,529,295
In-kind	103,762	-	103,762	91,305
Investment income	1,178	-	1,178	845
Program service fees	10,576	-	10,576	10,765
Loss on disposal of equipment	(236)	-	(236)	-
Net assets released from restrictions:				
Satisfaction of time restrictions	159,318	(159,318)	-	-
Satisfaction of purpose restrictions	38,859	(38,859)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>2,724,933</b>	<b>(180,977)</b>	<b>2,543,956</b>	<b>2,632,210</b>
<b><u>EXPENSES</u></b>				
Program services	1,866,609	-	1,866,609	2,147,251
Supporting services:				
Management and general	195,017	-	195,017	220,337
Fundraising	404,422	-	404,422	362,874
Total Supporting Services	599,439	-	599,439	583,211
<b>TOTAL EXPENSES</b>	<b>2,466,048</b>	<b>-</b>	<b>2,466,048</b>	<b>2,730,462</b>
<b>CHANGE IN NET ASSETS</b>	<b>258,885</b>	<b>(180,977)</b>	<b>77,908</b>	<b>(98,252)</b>
<b>NET ASSETS, BEGINNING</b>	<b>576,007</b>	<b>198,177</b>	<b>774,184</b>	<b>872,436</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 834,892</b>	<b>\$ 17,200</b>	<b>\$ 852,092</b>	<b>\$ 774,184</b>

**FREEDOM SCHOOL PARTNERS, INC.****STATEMENT OF FUNCTIONAL EXPENSES****Year Ended December 31, 2016, With Prior Year Comparative Totals**

	Program Services	Supporting Services		Totals	Prior Year Comparative Totals
		Management and General	Fund Raising		
<b><u>PERSONNEL</u></b>					
Salaries and wages	\$ 808,792	\$ 81,816	\$ 214,990	\$ 1,105,598	\$ 1,378,816
Payroll taxes	72,463	7,782	18,140	98,385	131,557
Employee benefits	41,687	7,439	16,394	65,520	69,640
<b>Total</b>	<b>922,942</b>	<b>97,037</b>	<b>249,524</b>	<b>1,269,503</b>	<b>1,580,013</b>
<b><u>OTHER EXPENSES</u></b>					
Curriculum and training	350,966	-	-	350,966	320,683
Bus rental	146,338	-	-	146,338	108,299
Occupancy	78,581	19,597	19,532	117,710	95,403
Field trips/activities	66,498	-	-	66,498	84,173
Supplies	32,500	1,494	1,578	35,572	42,627
Food	71,154	-	-	71,154	87,160
Travel and meetings	18,217	8,556	4,226	30,999	31,966
Evaluations	63,222	-	-	63,222	39,288
Uniforms	14,438	-	-	14,438	17,787
Site technology	8,935	-	-	8,935	4,518
Year-round engagement	10,180	-	-	10,180	5,844
Professional fees	2,385	27,202	17,190	46,777	28,806
Telephone	2,291	9,776	1,783	13,850	8,929
Professional development	4,124	1,789	6,655	12,568	7,826
Contract services	17,543	8,163	7,407	33,113	23,787
Liability insurance	18,506	9,231	9,252	36,989	44,879
Marketing	95	29	71,214	71,338	26,582
Printing	4,137	2,068	2,069	8,274	8,288
Depreciation	-	4,381	-	4,381	17,558
Background checks	5,429	-	-	5,429	8,289
Parent meetings	6,563	-	-	6,563	15,240
Equipment and vehicle	7,712	2,326	2,058	12,096	7,809
Postage	2,748	836	2,211	5,795	6,002
Celebrations	7,778	-	-	7,778	89,042
Licenses and dues	2,538	1,741	5,832	10,111	9,695
Service charges	466	791	3,891	5,148	5,150
Miscellaneous	323	-	-	323	4,819
<b>TOTAL</b>	<b>\$ 1,866,609</b>	<b>\$ 195,017</b>	<b>\$ 404,422</b>	<b>\$ 2,466,048</b>	<b>\$ 2,730,462</b>

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**FREEDOM SCHOOL PARTNERS, INC.****STATEMENT OF CASH FLOWS****Year Ended December 31, 2016, With Prior Year Comparative Totals**

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	<u>2016</u>	<u>2015</u>
<b><u>OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 77,908	\$ (98,252)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	4,381	17,558
Loss on disposal of equipment	236	-
(Increase) decrease in operating assets:		
Prepaid expenses	22,573	(23,940)
Promises to give	(13,000)	111,307
Sales tax refund	(848)	1,662
Stock proceeds receivable	(3,627)	-
Other receivables	697	1,510
Increase in operating liabilities:		
Accounts payable and accrued expenses	6,010	6,588
	<u>94,330</u>	<u>16,433</u>
	<u><i>Cash Flows From Operating Activities</i></u>	<u><i>16,433</i></u>
<b><u>INVESTING ACTIVITIES</u></b>		
Purchase of property and equipment	(616)	(6,836)
	<u>(616)</u>	<u>(6,836)</u>
	<u><i>Cash Flows From Investing Activities</i></u>	<u><i>(6,836)</i></u>
<b>CHANGE IN CASH</b>	<b>93,714</b>	<b>9,597</b>
<b>CASH, BEGINNING</b>	<b>795,733</b>	<b>786,136</b>
<b>CASH, ENDING</b>	<b>\$ 889,447</b>	<b>\$ 795,733</b>

## **NOTE 1 - NATURE OF ORGANIZATION AND ACTIVITIES**

Freedom School Partners, Inc. (the Organization) is a non-profit organization formed on November 29, 1999 in the state of North Carolina. Its purpose is to promote the long-term success of children by preventing summer learning loss through igniting a passion for reading and inspiring a love of learning. The Organization's funding primarily comes from private grants and contributions.

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Basis of presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

- *Unrestricted:* Net assets represent funds which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its program or supporting services.
- *Temporarily Restricted:* Net assets are comprised of funds which are restricted by donors for specific purposes. The restrictions are satisfied by the passage of time or actions of the Organization.
- *Permanently Restricted:* Net assets include resources with permanent donor-imposed restrictions, which require the assets to be maintained in perpetuity. During the year ended December 31, 2016, the Organization had no permanently restricted net assets.

### Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted support received is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted grants and contributions whose restrictions are met in the same reporting period as received are reported as unrestricted support.

### Promises to give

The Organization recognizes promises of grants and contributions as support in the year the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Based on the historical collectability of promises receivable from the organizations making the promises, management has determined that no allowance for doubtful accounts is required. Promises to give as of December 31, 2016 are expected to be collected as follows: \$9,000 in 2017 and \$4,000 in 2018.



**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

Donated services and goods

Donated services are reported as contributions when the services (a) create or enhance non-financial assets or (b) would be purchased if they had not been provided by contribution, require specialized skills, and are provided by individuals possessing those skills. Donated goods, if significant, are included in support at fair value. During the year, the Organization recorded no donated services or goods.

The Organization receives a substantial amount of donated services from unpaid volunteers in carrying out its program activities. No amounts have been reflected in the financial statements for these services since they generally do not meet the criteria for recognition described above.

Donated facilities

Donated facilities are recorded as contributions at the estimated fair rental value. For the year ended December 31, 2016, the fair value of this donated rent has been calculated at \$103,762 with a like amount included in occupancy expense. This amount is comprised of \$66,340 for the Organization's corporate offices and \$37,422 for offsite storage space. The Organization's corporate offices are leased from Covenant Presbyterian Church. The offsite storage space is donated by Childress Klein/PineBrook Center Limited Partnership.

Functional allocation of expenses

Expenses are allocated to program services, management and general, and fundraising based on management's estimate of time spent and various allocation methods appropriate to the type of expense.

Income tax status

Freedom School Partners, Inc. is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and is not classified as a private foundation as defined by Section 509(a)(1) of the IRC.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Organization's December 31, 2015 financial statements, from which the summarized information was derived. Certain prior-year information has been reclassified to conform to current-year presentation.

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**FREEDOM SCHOOL PARTNERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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**NOTE 3 - PROPERTY AND EQUIPMENT**

Purchased fixed assets are carried at cost and donated fixed assets are recorded at their fair value at the date of the gift, when the cost or the fair value exceeds \$500. Depreciation expense is provided using the straight-line method over the estimated useful lives, which range from 3 to 7 years.

At December 31, 2016, property and equipment are composed of the following:

Vehicles	\$	15,570
Machinery and equipment		65,162
Leasehold Improvements		45,220
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Total		125,952
Less - accumulated depreciation		(122,373)
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Total	\$	<u>3,579</u>

**NOTE 4 - NET ASSETS**

Designated

The Board of Directors of Freedom School Partners, Inc. designates funds for sponsoring partner reserves and working capital reserves. At December 31, 2016, the designated amount for sponsoring partners and summer subsidy was \$33,500 while working capital reserves were \$273,649, totaling \$307,149.

Temporarily restricted

The Organization's temporarily restricted net assets at December 31, 2016, are as follows:

Time Restricted:		
Pledges receivable in future years	\$	13,000
Purpose Restricted:		
For specific summer program site		4,200
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	\$	<u>17,200</u>

**NOTE 5 - LEASE COMMITMENTS**

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**FREEDOM SCHOOL PARTNERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

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The Organization leases office space and office equipment under non-cancelable lease agreements. Minimum future rental payments related to these leases as of December 31, 2016, are as follows:

Year Ending December 31:		
2017	\$	6,372
2018		5,310
	\$	<u>11,682</u>

Lease payments for the year ended December 31, 2016 totaled \$6,373.

**NOTE 6 – RETIREMENT PLAN**

The Organization maintains a SIMPLE IRA Plan. The Organization makes matching contributions up to three percent of a participating employee's annual salary. The Organization's contributions to this plan were \$6,654 for the year ended December 31, 2016.

**NOTE 7 - CONCENTRATIONS OF CREDIT RISK**

Cash

Cash held in bank accounts is insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash held by the Organization as of December 31, 2016, includes \$341,419 in excess of insured limits covered by the FDIC. However, the Organization believes it is not exposed to any significant credit risk related to these accounts.

Geographic location

The Organization operates in a limited geographic area and as a result is sensitive to changes in the local economy.

Revenue and receivables

For the year ended December 31, 2016, contributions from five donors comprise 20 percent of all cash contributions.

**NOTE 8 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the audited financial statements were available for issuance. During this period, no material recognizable subsequent events were identified.