

FREEDOM SCHOOL PARTNERS, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2017

FREEDOM SCHOOL PARTNERS, INC.
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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, 2017, 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, 2017, 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 2016 financial statements, and our report dated April 18, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. DeWitt Foard & Company, P.A.
April 25, 2018

FREEDOM SCHOOL PARTNERS, INC.**STATEMENT OF FINANCIAL POSITION****December 31, 2017, With Prior Year Comparative Totals**

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash	\$ 739,745	\$ 889,447
Receivables:		
Promises to give	7,000	13,000
Sales tax refund	3,652	3,902
Stock proceeds	3,640	3,627
Prepaid expenses	7,895	6,740
Property and equipment, net of accumulated depreciation	1,210	3,579
<u>TOTAL ASSETS</u>	<u>\$ 763,142</u>	<u>\$ 920,295</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 43,591	\$ 68,203
<u>Total Liabilities</u>	<u>43,591</u>	<u>68,203</u>
Net Assets:		
Unrestricted:		
Undesignated	360,054	527,743
Designated	301,956	307,149
<u>Total Unrestricted Net Assets</u>	<u>662,010</u>	<u>834,892</u>
Temporarily restricted	57,541	17,200
<u>Total Net Assets</u>	<u>719,551</u>	<u>852,092</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 763,142</u>	<u>\$ 920,295</u>

FREEDOM SCHOOL PARTNERS, INC.**STATEMENT OF ACTIVITIES****Year Ended December 31, 2017, With Prior Year Comparative Totals**

	December 31, 2017			Prior Year Comparative Totals
	Unrestricted	Temporarily Restricted	Totals	
<u>SUPPORT AND REVENUE</u>				
Contributions:				
Cash	\$ 2,211,855	\$ 50,541	\$ 2,262,396	\$ 2,428,676
In-kind	86,837	-	86,837	103,762
Investment income	1,397	-	1,397	1,178
Program service fees	12,034	-	12,034	10,576
Gain (loss) on disposal of equipment	4,089	-	4,089	(236)
Net assets released from restrictions:				
Satisfaction of time restrictions	6,000	(6,000)	-	-
Satisfaction of purpose restrictions	4,200	(4,200)	-	-
TOTAL SUPPORT AND REVENUE	2,326,412	40,341	2,366,753	2,543,956
<u>EXPENSES</u>				
Program services	1,945,982	-	1,945,982	1,866,609
Supporting services:				
Management and general	162,567	-	162,567	195,017
Fundraising	390,745	-	390,745	404,422
Total Supporting Services	553,312	-	553,312	599,439
TOTAL EXPENSES	2,499,294	-	2,499,294	2,466,048
CHANGE IN NET ASSETS	(172,882)	40,341	(132,541)	77,908
NET ASSETS, BEGINNING	834,892	17,200	852,092	774,184
NET ASSETS, ENDING	\$ 662,010	\$ 57,541	\$ 719,551	\$ 852,092

FREEDOM SCHOOL PARTNERS, INC.**STATEMENT OF FUNCTIONAL EXPENSES****Year Ended December 31, 2017, With Prior Year Comparative Totals**

	Program Services	Supporting Services Management and General	Fund Raising	Totals	Prior Year Comparative Totals
<u>PERSONNEL</u>					
Salaries and wages	\$ 848,170	\$ 86,512	\$ 237,067	\$ 1,171,749	\$ 1,105,598
Payroll taxes	69,874	6,881	18,393	95,148	98,385
Employee benefits	56,729	6,040	18,861	81,630	87,604
Total	974,773	99,433	274,321	1,348,527	1,291,587
<u>OTHER EXPENSES</u>					
Curriculum and training	418,997	-	-	418,997	350,966
Bus rental	139,084	-	-	139,084	146,338
Occupancy	52,370	25,745	24,477	102,592	117,710
Field trips/activities	79,232	-	-	79,232	66,498
Supplies	49,078	7,700	7,012	63,790	68,685
Food	63,341	-	-	63,341	71,154
Travel and meetings	16,020	4,270	5,343	25,633	30,999
Evaluations	57,590	-	-	57,590	63,222
Uniforms	17,965	-	-	17,965	14,438
Site technology	16,963	-	-	16,963	8,935
Year-round engagement	3,763	-	-	3,763	10,180
Professional fees	-	8,000	11,501	19,501	42,690
Telephone	2,134	3,337	1,344	6,815	13,850
Liability insurance	7,040	3,520	3,520	14,080	36,989
Marketing	298	338	45,812	46,448	71,338
Printing	3,440	1,720	1,720	6,880	8,274
Depreciation	-	3,169	-	3,169	4,381
Parent meetings	7,815	-	-	7,815	6,563
Equipment and vehicle	9,494	2,380	2,476	14,350	12,096
Postage	1,865	627	1,655	4,147	5,795
Celebrations	21,507	-	-	21,507	7,778
Dues and subscriptions	3,213	1,237	8,222	12,672	10,111
Service charges	-	1,091	3,342	4,433	5,148
Miscellaneous	-	-	-	-	323
TOTAL	\$ 1,945,982	\$ 162,567	\$ 390,745	\$ 2,499,294	\$ 2,466,048

FREEDOM SCHOOL PARTNERS, INC.**STATEMENT OF CASH FLOWS****Year Ended December 31, 2017, With Prior Year Comparative Totals**

	<u>2017</u>	<u>2016</u>
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ (132,541)	\$ 77,908
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	3,169	4,381
(Gain) loss on disposal of equipment	(4,089)	236
(Increase) decrease in operating assets:		
Prepaid expenses	(1,155)	22,573
Promises to give	6,000	(13,000)
Sales tax refund	250	(848)
Stock proceeds receivable	(13)	(3,627)
Other receivables	-	697
Increase in operating liabilities:		
Accounts payable and accrued expenses	(24,612)	6,010
	<u>(152,991)</u>	<u>94,330</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of property and equipment	(800)	(616)
Proceeds from the disposal of property and equipment	4,089	-
	<u>3,289</u>	<u>(616)</u>
CHANGE IN CASH	(149,702)	93,714
CASH, BEGINNING	889,447	795,733
CASH, ENDING	\$ 739,745	\$ 889,447

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, 2017, 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, 2017 are expected to be collected within one year.

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, 2017, the fair value of this donated rent has been calculated at \$86,837 with a like amount included in occupancy expense. This amount is comprised of \$74,837 for the Organization's corporate offices and \$12,000 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, 2016 financial statements, from which the summarized information was derived. Certain prior-year information has been reclassified to conform to current-year presentation.

FREEDOM SCHOOL PARTNERS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017, property and equipment are composed of the following:

Machinery and equipment	\$	65,962
Leasehold Improvements		45,220
		<hr/>
Total		111,182
Less - accumulated depreciation		(109,972)
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Total	\$	<u>1,210</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, 2017, the designated amount for sponsoring partners and summer subsidy was \$34,000 while working capital reserves were \$267,955, totaling \$301,956.

Temporarily restricted

The Organization's temporarily restricted net assets at December 31, 2017, are as follows:

Time Restricted:		
Pledges receivable in future years	\$	7,000
Purpose Restricted:		
Secondary scholar program		15,000
For specific summer program site		35,541
		<hr/>
	\$	<u>57,541</u>

NOTE 5 - LEASE COMMITMENTS

The Organization leases office equipment under non-cancelable lease agreements. Lease payments for the year ended December 31, 2017 totaled \$7,920. Minimum future rental payments related to these leases as of December 31, 2017, are as follows:

Year Ending December 31:	
2018	\$ 7,920
2019	7,920
2020	7,920
2021	7,920
2022	660
	<hr/>
	\$ 32,340
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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 \$6,759 for the year ended December 31, 2017.

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, 2017, includes \$313,406 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, 2017, contributions from five donors comprise 25 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.