

Atlas Service Corps, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2014 and 2013

Atlas Service Corps, Inc.

Financial Statements
December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Atlas Service Corps, Inc.

We have audited the accompanying financial statements of Atlas Service Corps, Inc. ("Atlas Corps"), which comprise the statements of financial position as of December 31, 2014 and 2013, the related statements of activities 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 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 above present fairly, in all material respects, the financial position of Atlas Corps as of December 31, 2014 and 2013, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 13-14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Vienna, Virginia
October 30, 2015

Atlas Service Corps, Inc.

Statements of Financial Position
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and cash equivalents	\$ 587,899	\$ 426,876
Accounts receivable	252,965	172,200
Grants receivable	10,705	50,000
Prepaid expenses and other assets	155,944	110,526
Property and equipment, net	<u>5,071</u>	<u>6,337</u>
Total assets	<u>\$ 1,012,584</u>	<u>\$ 765,939</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 35,309	\$ 4,624
Deferred program revenue	445,506	556,468
Refundable advances	<u>118,644</u>	<u>19,351</u>
Total liabilities	<u>599,459</u>	<u>580,443</u>
Net Assets (Deficit)		
Unrestricted	213,125	(15,219)
Temporarily restricted	<u>200,000</u>	<u>200,715</u>
Total net assets	<u>413,125</u>	<u>185,496</u>
Total liabilities and net assets	<u>\$ 1,012,584</u>	<u>\$ 765,939</u>

Atlas Service Corps, Inc.

Statement of Activities
For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Program revenue	\$ 1,794,534	\$ -	\$ 1,794,534
Grants	216,588	200,000	416,588
Government grants	381,499	-	381,499
Contributions	75,597	-	75,597
In-kind contributions	11,636	-	11,636
Interest income	89	-	89
Other income	30,533	-	30,533
Net assets released from restrictions	200,715	(200,715)	-
	<u>2,711,191</u>	<u>(715)</u>	<u>2,710,476</u>
Expenses			
Program services:			
General fellowships	2,301,505	-	2,301,505
	<u>2,301,505</u>	<u>-</u>	<u>2,301,505</u>
Supporting services:			
Fundraising	53,106	-	53,106
Management and general	128,236	-	128,236
	<u>181,342</u>	<u>-</u>	<u>181,342</u>
Total expenses	<u>2,482,847</u>	<u>-</u>	<u>2,482,847</u>
Change in Net Assets	228,344	(715)	227,629
Net (Deficit) Assets, beginning of year	<u>(15,219)</u>	<u>200,715</u>	<u>185,496</u>
Net Assets, end of year	<u>\$ 213,125</u>	<u>\$ 200,000</u>	<u>\$ 413,125</u>

See accompanying notes.

Atlas Service Corps, Inc.

Statement of Activities
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Program revenue	\$ 1,213,430	\$ -	\$ 1,213,430
Grants	1,924	192,500	194,424
Government grants	424,633	-	424,633
Contributions	76,897	-	76,897
In-kind contributions	27,678	-	27,678
Interest income	108	-	108
Other income	13,443	-	13,443
Net assets released from restrictions	106,487	(106,487)	-
	<u>1,864,600</u>	<u>86,013</u>	<u>1,950,613</u>
Expenses			
Program services:			
General fellowships	1,770,047	-	1,770,047
	<u>1,770,047</u>	<u>-</u>	<u>1,770,047</u>
Supporting services:			
Fundraising	59,850	-	59,850
Management and general	129,727	-	129,727
	<u>189,577</u>	<u>-</u>	<u>189,577</u>
Total expenses	<u>1,959,624</u>	<u>-</u>	<u>1,959,624</u>
Change in Net Assets	(95,024)	86,013	(9,011)
Net Assets, beginning of year	<u>79,805</u>	<u>114,702</u>	<u>194,507</u>
Net (Deficit) Assets, end of year	<u>\$ (15,219)</u>	<u>\$ 200,715</u>	<u>\$ 185,496</u>

See accompanying notes.

Atlas Service Corps, Inc.

Statements of Cash Flows For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 227,629	\$ (9,011)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,905	2,886
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(80,765)	25,267
Grants receivable	39,295	48,077
Prepaid expenses and other assets	(45,418)	(53,695)
Increase (decrease) in:		
Accounts payable and accrued expenses	30,685	(1,310)
Deferred program revenue	(110,962)	270,191
Refundable advances	99,293	19,351
Net cash provided by operating activities	<u>162,662</u>	<u>301,756</u>
Cash Flows from Investing Activity		
Purchase of equipment	<u>(1,639)</u>	<u>(1,359)</u>
Net cash used in investing activity	<u>(1,639)</u>	<u>(1,359)</u>
Net Increase in Cash and Cash Equivalents	161,023	300,397
Cash and Cash Equivalents, beginning of year	<u>426,876</u>	<u>126,479</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 587,899</u></u>	<u><u>\$ 426,876</u></u>

See accompanying notes.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

1. Nature of Operations

Atlas Service Corps, Inc. (“Atlas Corps”) was incorporated in 2006 in the state of Delaware and is governed by a diverse Board of Directors. Atlas Corps is an international network of nonprofit leaders and organizations that promotes innovation, cooperation, and solutions to address the world’s 21st century challenges. Our mission is to address critical social issues by developing leaders, strengthening organizations, and promoting innovation through an overseas fellowship of skilled nonprofit professionals. Profiled as a “best practice” in international exchange by the Brookings Institution and featured in the Washington Post as a model social entrepreneurship program, Atlas Corps engages leaders committed to the nonprofit sector in twelve-to-eighteen month, professional fellowships at organizations to learn best practices, build organizational capacity, and return home to create a network of global changemakers.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

Atlas Corps’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of Atlas Corps’s operations. Unrestricted net assets totaled \$213,125 at December 31, 2014; and there was an unrestricted net deficit of \$15,219 at December 31, 2013.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of Atlas Corps or through the passage of time. Temporarily restricted net assets were \$200,000 and \$200,715 at December 31, 2014 and 2013, respectively.

Cash Equivalents

For the purpose of the statements of cash flows, Atlas Corps considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of three months or less at the time of purchase.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable consists primarily of amounts due from host organizations for the general fellowship program. All accounts receivables are reflected at net realizable value as all amounts are expected to be collected within one year. Atlas Corps's policy is to charge off uncollectible receivables when management determines the receivables will not be collected. No allowance for uncollectible contributions receivable has been established at December 31, 2014 and 2013, as all amounts are deemed fully collectible.

Grants Receivable

Grants receivable represent unconditional promises to give and are recorded at net realizable value. No discount on grants receivable has been recorded at December 31, 2014 and 2013, as they are all due within one year. Grants receivable are evaluated periodically for collectability based upon evaluation of past loss experience, known or inherent risks, and other factors that could affect collectability. No allowance for doubtful accounts has been recorded as management believes that all remaining accounts are deemed to be fully collectible.

Property and Equipment

Property and equipment with a cost greater than \$500 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to five years. Expenditures for maintenance and repairs are expensed as incurred.

Revenue Recognition

Atlas Corps enters into contracts with host organizations to recruit, train, and place an international fellow with the host organization for a specified period of time. Revenue earned under these contracts is recognized over the life of the contract. No allowance is currently made for uncollected amounts.

Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Atlas Corps reports grants and contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Atlas Corps receives grants and contracts from the federal government, as well as from private foundations, in exchange for services. Revenue from grants and contracts is recognized as allowable costs are incurred under the agreements. Revenue recognized on the grants and contracts for which billings have not been presented or received is reflected as grants and contracts receivable in the accompanying statements of financial position.

Revenue from all other sources is recognized when earned.

In-Kind Contributions

Atlas Corps receives contributions of in-kind legal and in-kind training space. It is the policy of Atlas Corps to recognize income from in-kind donations at their fair value at the time of donation. Atlas Corps received contributed goods and services in the amount of \$11,636 and \$27,678 for the years ended December 31, 2014 and 2013, respectively. These donations are recorded as in-kind contributions in the accompanying statements of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

In preparing these financial statements, Atlas Corps has evaluated events and transactions for potential recognition or disclosure through October 30, 2015, the date the financial statements were available to be issued.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Subsequent Events (continued)

Subsequent to year-end, Atlas Corps experienced a fraudulent event of cyber-crime, resulting in the loss of \$268,000 in January 2015. Due to the surplus at the end of December 31, 2014 of \$227,629, there is no immediate concern for the long-term health and operations of Atlas Corps.

3. Concentration of Credit Risk

Financial instruments that potentially subject Atlas Corps to significant concentrations of credit risk consist of cash and cash equivalents. Atlas Corps maintains cash deposit and transaction accounts with a financial institution and these values, from time to time, exceed insurable limits under the Federal Depository Insurance Corporation (FDIC). Atlas Corps has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

4. Property and Equipment

Atlas Corps held the following property and equipment at December 31:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 17,921	\$ 16,282
Accumulated depreciation	<u>(12,850)</u>	<u>(9,945)</u>
Property and equipment, net	<u>\$ 5,071</u>	<u>\$ 6,337</u>

5. Lease Commitments

In September 2011, Atlas Corps entered into a two year office space lease agreement expiring on September 30, 2013. In October 2012, Atlas Corps entered into a lease extension for the office space, expiring on September 30, 2014. The terms of the lease called for fixed monthly payments with a provision for an increase in the base rent for the second and final year of the agreement. In October 2013, Atlas Corps subleased a portion of its office space to a tenant for one year, which commenced on October 1, 2013 and expired on September 30, 2014. The terms of the lease called for fixed monthly payments of \$775 for 12 months, and included access to various office supplies and equipment in the shared office space. Income from the sublease is recorded as revenue in the accompanying statements of activities.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

5. Lease Commitments (continued)

During 2014, Atlas Corps entered into a new office space lease agreement commencing on October 4, 2014 and expiring on September 30, 2019. The terms of the lease call for fixed monthly payments with a provision for an annual 3% increase in rental payments each year. Atlas Corps is responsible for the payment of its proportionate share of increases in the building's annual operating expenses and real estate taxes as passed through from the landlord in the amount of 8.5%. Deferred rent, which reflects the accumulated difference between straight line rent and actual rent paid, has not been reflected in the accompanying financial statements due to immateriality.

Rent expense under all office leases for the years ended December 31, 2014 and 2013 was \$65,105 and \$50,100, respectively. Future minimum lease payments under the office lease agreement are as follows for the years ending December 31:

2015	\$	76,270
2016		78,558
2017		80,913
2018		83,336
2019		<u>63,901</u>
Future minimum lease payments	\$	<u>382,978</u>

Atlas Corps maintains several group homes where the Fellows live. The group homes are leased under annual and month-to-month lease agreements that are renewed at various times during the year. The combined annual rent expense for the group homes was \$244,842 and \$163,190 for the years ended December 31, 2014 and 2013, respectively.

6. Contingency

The Federal funds that Atlas Corps receives from various agencies are subject to audit under the provisions of the respective grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to, and accepted by, the oversight agency. Until such grants are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets were \$200,000 and \$200,715 at December 31, 2014 and 2013, respectively, and were all restricted for the passage of time.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

8. Related Parties

In late 2008, Atlas Corps established its first overseas office in Bogota, Colombia, creating a separate legal entity, Atlas Service Corps, Inc. (Colombia) (“Atlas Colombia”), which is incorporated under Colombia’s charitable organization laws. Atlas Colombia is independent of Atlas Corps and receives financial support from the Colombian government as well as Colombian nonprofit organizations where Atlas Corps Fellows are placed. Atlas Corps does not maintain the ability to appoint Atlas Colombia Board members and, thus, does not control Atlas Colombia. Atlas Corps’s Chief Executive Officer is the only individual who serves on both Boards. During the years ended December 31, 2014 and 2013, respectively, Atlas Colombia received grants from Atlas Corps in the amounts of \$5,000 and \$90,942.

Atlas Corps receives unrestricted support in the form of contributions from its Board members and employees. For the years ended December 31, 2014 and 2013, Atlas Corps received \$21,464 and \$10,700, respectively, which are included in grants and contributions in the accompanying statements of activities.

9. Income Taxes

Atlas Corps is recognized as a tax-exempt organization under Internal Revenue Code (IRC) Section 501(c)(3), and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements, as there was no unrelated business taxable income. Contributions to Atlas Corps are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management evaluated Atlas Corps’s tax positions, and concluded that Atlas Corps’s financial statements do not include any uncertain tax positions.

SUPPLEMENTARY INFORMATION

Atlas Service Corps, Inc.

Schedule of Functional Expenses For the Year Ended December 31, 2014

	Program Services	Supporting Services		Total Expenses
	General Fellowships	Fundraising	Management and General	
Salaries	\$ 319,157	\$ 32,494	\$ 44,208	\$ 395,859
Payroll taxes	24,235	2,084	4,072	30,391
Fringe benefits	23,034	2,126	6,556	31,716
Fellow stipends	935,627	-	-	935,627
Fellow travel	150,871	-	-	150,871
Fellow living expenses	282,428	-	-	282,428
Fellow training	92,580	-	-	92,580
Fellow insurance	57,129	-	-	57,129
Acumen fellows expense	303,421	-	-	303,421
Professional fees	24,434	2,455	20,618	47,507
Advertising	544	41	108	693
Staff travel and meetings	16,013	868	3,120	20,001
Supplies and equipment	22,534	7,554	4,665	34,753
Insurance	6,092	620	1,623	8,335
Office rent	35,653	3,630	25,822	65,105
Colombia office	5,000	-	-	5,000
Depreciation	-	-	2,905	2,905
Miscellaneous	2,753	1,234	2,039	6,026
Write-off of accounts receivable	-	-	12,500	12,500
Total Expenses	\$ 2,301,505	\$ 53,106	\$ 128,236	\$ 2,482,847

Atlas Service Corps, Inc.

Schedule of Functional Expenses
For the Year Ended December 31, 2013

	Program Services	Supporting Services		Total Expenses
	General Fellowships	Fundraising	Management and General	
Salaries	\$ 254,111	\$ 42,922	\$ 39,024	\$ 336,057
Payroll taxes	19,155	3,235	2,942	25,332
Fringe benefits	17,693	2,989	2,717	23,399
Fellow stipends	603,538	-	-	603,538
Fellow travel	141,531	-	-	141,531
Fellow living expenses	190,641	-	-	190,641
Fellow training	70,540	1,877	1,660	74,077
Fellow insurance	34,857	-	-	34,857
Acumen fellows expense	290,958	-	-	290,958
Professional fees	21,991	3,172	19,549	44,712
Advertising	8,325	1,623	3,004	12,952
Staff travel and meetings	8,376	1,489	767	10,632
Supplies and equipment	14,680	2,147	4,343	21,170
Insurance	2,709	396	801	3,906
Office rent	-	-	50,100	50,100
Colombia office	90,942	-	-	90,942
Depreciation	-	-	2,886	2,886
Miscellaneous	-	-	1,914	1,914
Write-off of accounts receivable	-	-	20	20
Total Expenses	\$ 1,770,047	\$ 59,850	\$ 129,727	\$ 1,959,624