

Atlas Service Corps, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2015 and 2014

Atlas Service Corps, Inc.

Financial Statements
December 31, 2015 and 2014

Contents

Independent Auditors' Report.....	1-2
<i>Financial Statements</i>	
Statements of Financial Position.....	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to Financial Statements.....	7-13
<i>Supplementary Information</i>	
Schedules of Functional Expenses	14-15

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, 2015 and 2014, 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, 2015 and 2014, 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 14-15 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.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The "R" is large and stylized, with a loop at the top. The rest of the text is written in a cursive, handwritten style.

Vienna, Virginia
November 15, 2016

Atlas Service Corps, Inc.

Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 385,908	\$ 587,899
Accounts receivable	69,680	252,965
Grants receivable	137,029	10,705
Prepaid expenses and other assets	279,008	155,944
Property and equipment, net	2,604	5,071
	<hr/>	<hr/>
Total assets	\$ 874,229	\$ 1,012,584
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Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 42,617	\$ 35,309
Deferred program revenue	444,889	445,506
Refundable advances	161,502	118,644
Deferred rent	5,281	-
	<hr/>	<hr/>
Total liabilities	654,289	599,459
	<hr/>	<hr/>
Net Assets		
Unrestricted	19,940	213,125
Temporarily restricted	200,000	200,000
	<hr/>	<hr/>
Total net assets	219,940	413,125
	<hr/>	<hr/>
Total liabilities and net assets	\$ 874,229	\$ 1,012,584
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See accompanying notes.

Atlas Service Corps, Inc.

Statement of Activities
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Program revenue	\$ 1,872,253	\$ -	\$ 1,872,253
Grants	77,228	200,000	277,228
Government grants	451,597	-	451,597
Contributions	232,379	-	232,379
In-kind contributions	28,000	-	28,000
Interest income	49	-	49
Other income	30,899	-	30,899
Net assets released from restrictions	200,000	(200,000)	-
	<u>2,892,405</u>	<u>-</u>	<u>2,892,405</u>
Expenses			
Program services:			
General fellowships	2,643,363	-	2,643,363
	<u>2,643,363</u>	<u>-</u>	<u>2,643,363</u>
Supporting services:			
Fundraising	60,004	-	60,004
Management and general	382,223	-	382,223
	<u>442,227</u>	<u>-</u>	<u>442,227</u>
Total expenses	<u>3,085,590</u>	<u>-</u>	<u>3,085,590</u>
Change in Net Assets	(193,185)	-	(193,185)
Net Assets, beginning of year	<u>213,125</u>	<u>200,000</u>	<u>413,125</u>
Net Assets, end of year	<u>\$ 19,940</u>	<u>\$ 200,000</u>	<u>\$ 219,940</u>

See accompanying notes.

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)	-
	2,711,191	(715)	2,710,476
Expenses			
Program services:			
General fellowships	2,301,505	-	2,301,505
	2,301,505	-	2,301,505
Supporting services:			
Fundraising	53,106	-	53,106
Management and general	128,236	-	128,236
	181,342	-	181,342
Total expenses	2,482,847	-	2,482,847
Change in Net Assets	228,344	(715)	227,629
Net (Deficit) Assets, beginning of year	(15,219)	200,715	185,496
Net Assets, end of year	\$ 213,125	\$ 200,000	\$ 413,125

See accompanying notes.

Atlas Service Corps, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	\$ (193,185)	\$ 227,629
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,467	2,905
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	183,285	(80,765)
Grants receivable	(126,324)	39,295
Prepaid expenses and other assets	(123,064)	(45,418)
Increase (decrease) in:		
Accounts payable and accrued expenses	7,308	30,685
Deferred program revenue	(617)	(110,962)
Refundable advances	42,858	99,293
Deferred rent	5,281	-
	(201,991)	162,662
Cash Flows from Investing Activity		
Purchase of equipment	-	(1,639)
Net cash used in investing activity	-	(1,639)
Net (Decrease) Increase in Cash and Cash Equivalents	(201,991)	161,023
Cash and Cash Equivalents, beginning of year	587,899	426,876
Cash and Cash Equivalents, end of year	\$ 385,908	\$ 587,899

See accompanying notes.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

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 \$19,940 and \$213,125 at December 31, 2015 and 2014, respectively.
- *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 at both December 31, 2015 and 2014.

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.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

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.

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, 2015 and 2014, 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, 2015 and 2014, 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 \$5,000 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.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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 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 \$28,000 and \$11,636 for the years ended December 31, 2015 and 2014, respectively. These donations are recorded as in-kind contributions in the accompanying statements of activities.

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.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 supersedes most existing revenue recognition guidance under accounting principles generally accepted in the United States. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration an entity expects to be entitled to for those goods or services using a defined five-step process. More judgment and estimates may be required to achieve this principle than under existing accounting principles generally accepted in the United States of America. ASU 2014-09 is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients or (ii) a retrospective approach with the cumulative effect upon initial adoption recognized at the date of adoption, which includes additional footnote disclosures. Atlas Corps has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for nonpublic business entities for fiscal years beginning after December 15, 2019, and Atlas Corps is currently evaluating the impact of the pending adoption of ASU 2016-02.

In August 2016, the FASB issued ASU 2016-14, *Not-For-Profit Entities* (Topic 958). ASU 2016-04 simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The standard is effective for fiscal years beginning after December 15, 2017. Atlas Corps's first required year to adopt will be the year ending December 31, 2018. Atlas Corps has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, Atlas Corps has evaluated events and transactions for potential recognition or disclosure through November 15, 2016, the date the financial statements were available to be issued.

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:

	2015	2014
Furniture and equipment	\$ 17,921	\$ 17,921
Accumulated depreciation	(15,317)	(12,850)
Property and equipment, net	<u>\$ 2,604</u>	<u>\$ 5,071</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, 2015 and 2014

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 a 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, is included in the accompanying financial statements.

In October 2014, Atlas Corps began subleasing a portion of its office space to two tenants. The sublease agreements commenced on October 4, 2014 and expired on September 30, 2015, and both subleases were extended for a second year through September 30, 2016. The terms of the subleases called for fixed monthly payments of \$975 and \$950, and included access to various office supplies and equipment in the shared office space. Income from the subleases is recorded as revenue in the accompanying statements of activities.

Rent expense under all office leases for the years ended December 31, 2015 and 2014 was \$81,550 and \$63,105, respectively.

Future minimum lease payments and receipts under all lease agreements are as follows for the years ending December 31:

	<u>Payments</u>	<u>Receipts</u>	<u>Total</u>
2016	\$ 87,858	\$ 17,325	\$ 70,533
2017	80,913	-	80,913
2018	83,336	-	83,336
2019	63,901	-	63,901
Total	<u>\$ 316,008</u>	<u>\$ 17,325</u>	<u>\$ 298,683</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 \$253,132 and \$244,842 for the years ended December 31, 2015 and 2014, respectively.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

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 at both December 31, 2015 and 2014 and were all restricted for the passage of time.

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, 2015 and 2014, respectively, Atlas Colombia received grants from Atlas Corps in the amounts of \$9,046 and \$5,000.

Atlas Corps receives unrestricted support in the form of contributions from its Board members and employees. For the years ended December 31, 2015 and 2014, Atlas Corps received \$43,700 and \$21,464, 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, 2015

	Program Services	Supporting Services		Total Expenses
	General Fellowships	Fundraising	Management and General	
Salaries	\$ 322,822	\$ 39,134	\$ 60,773	\$ 422,729
Payroll taxes	22,452	2,955	8,770	34,177
Fringe benefits	29,596	3,357	821	33,774
Fellow stipends	1,044,909	-	-	1,044,909
Fellow travel	211,562	-	-	211,562
Fellow living expenses	295,069	-	-	295,069
Fellow training	52,176	-	-	52,176
Fellow insurance	84,280	-	-	84,280
Acumen fellows expense	329,006	-	-	329,006
Professional fees	36,999	4,741	10,115	51,855
Advertising	640	-	720	1,360
Staff travel and meetings	5,272	279	1,633	7,184
Conferences and events	55,317	-	-	55,317
Supplies and equipment	51,663	1,909	4,937	58,509
Insurance	3,850	456	1,595	5,901
Office rent	83,267	7,132	20,151	110,550
Colombia office	9,046	-	-	9,046
Depreciation	-	-	2,467	2,467
Miscellaneous	5,437	41	1,931	7,409
Total operating expenses	2,643,363	60,004	113,913	2,817,280
Cyber theft	-	-	268,310	268,310
Total Expenses	\$ 2,643,363	\$ 60,004	\$ 382,223	\$ 3,085,590

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