

Atlas Service Corps, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2011 and 2010

Atlas Service Corps, Inc.

Financial Statements
December 31, 2011 and 2010

Contents

Independent Auditors' Report.....	1
<i>Audited Financial Statements</i>	
Statements of Financial Position.....	2
Statements of Activities.....	3-4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6-10
<i>Supplemental Information</i>	
Schedules of Functional Expenses.....	11-12

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

We have audited the accompanying statement of financial position of Atlas Service Corps, Inc. ("Atlas Corps") as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Atlas Corps's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Atlas Corps as of December 31, 2010, were audited by other auditors, whose report, dated July 12, 2011, expressed an unqualified opinion on those statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlas Corps at December 31, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 11 is presented for the purpose 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. The supplemental schedule of functional expenses on page 12 was included in the 2010 basic financial statements, which were audited by other auditors whose report, dated July 12, 2011, expressed an unqualified opinion on those statements.



Vienna, Virginia
September 25, 2012

Atlas Service Corps, Inc.

Statements of Financial Position
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$ 70,149	\$ 222,189
Accounts receivable	48,226	136,681
Prepaid expenses and other assets	81,718	5,450
Property and equipment, net	<u>8,658</u>	<u>5,270</u>
Total assets	<u>\$ 208,751</u>	<u>\$ 369,590</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 16,081	\$ 25,310
Fellowship and housing deposits	22,460	10,100
Deferred program revenue	<u>116,967</u>	<u>3,500</u>
Total liabilities	<u>155,508</u>	<u>38,910</u>
Net Assets		
Unrestricted	38,243	187,040
Temporarily restricted	<u>15,000</u>	<u>143,640</u>
Total net assets	<u>53,243</u>	<u>330,680</u>
Total liabilities and net assets	<u>\$ 208,751</u>	<u>\$ 369,590</u>

See accompanying notes.

Atlas Service Corps, Inc.

Statement of Activities For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Program revenue	\$ 923,296	\$ -	\$ 923,296
Grants	59,020	15,000	74,020
In-kind contributions	61,113	-	61,113
Contributions	37,751	-	37,751
Interest income	323	-	323
Other income	367	-	367
Net assets released from restrictions	143,640	(143,640)	-
	<u>1,225,510</u>	<u>(128,640)</u>	<u>1,096,870</u>
Expenses and Losses			
Program services:			
General fellowship	1,104,128	-	1,104,128
	<u>1,104,128</u>	<u>-</u>	<u>1,104,128</u>
Supporting services:			
Fundraising	62,076	-	62,076
Management and general	79,906	-	79,906
	<u>141,982</u>	<u>-</u>	<u>141,982</u>
Write-off of accounts receivable	128,197	-	128,197
	<u>1,374,307</u>	<u>-</u>	<u>1,374,307</u>
Change in Net Assets	(148,797)	(128,640)	(277,437)
Net Assets, beginning of year	<u>187,040</u>	<u>143,640</u>	<u>330,680</u>
Net Assets, end of year	<u>\$ 38,243</u>	<u>\$ 15,000</u>	<u>\$ 53,243</u>

See accompanying notes.

Atlas Service Corps, Inc.

Statement of Activities
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Program revenue	\$ 296,060	\$ 281,382	\$ 577,442
Grants	201,833	-	201,833
Contributions	37,279	-	37,279
Interest income	605	-	605
Other income	250	-	250
Net assets released from restrictions	326,675	(326,675)	-
Total revenue and support	<u>862,702</u>	<u>(45,293)</u>	<u>817,409</u>
Expenses			
Program services:			
General fellowship	<u>620,828</u>	<u>-</u>	<u>620,828</u>
Total program services	<u>620,828</u>	<u>-</u>	<u>620,828</u>
Supporting services:			
Fundraising	44,232	-	44,232
Management and general	<u>53,992</u>	<u>-</u>	<u>53,992</u>
Total support services	<u>98,224</u>	<u>-</u>	<u>98,224</u>
Total expenses	<u>719,052</u>	<u>-</u>	<u>719,052</u>
Change in Net Assets	143,650	(45,293)	98,357
Net Assets, beginning of year	<u>43,390</u>	<u>188,933</u>	<u>232,323</u>
Net Assets, end of year	<u>\$ 187,040</u>	<u>\$ 143,640</u>	<u>\$ 330,680</u>

See accompanying notes.

Atlas Service Corps, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	\$ (277,437)	\$ 98,357
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,495	1,661
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	88,455	18,504
Prepaid expenses and other assets	(76,268)	(2,470)
Increase (decrease) in:		
Accounts payable and accrued expenses	(9,229)	22,433
Fellowship and housing deposits	12,360	7,488
Deferred program revenue	113,467	3,500
	(146,157)	149,473
Cash Flows from Investing Activities		
Purchase of equipment	(5,883)	(4,558)
	(5,883)	(4,558)
Net (Decrease) Increase in Cash and Cash Equivalents	(152,040)	144,915
Cash and Cash Equivalents, beginning of year	222,189	77,274
Cash and Cash Equivalents, end of year	\$ 70,149	\$ 222,189

See accompanying notes.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2011 and 2010

1. Nature of Operations

Atlas Service Corps, Inc. (“Atlas Corps”) was incorporated in 2006 in the state of Delaware and was governed by a diverse Board of Directors for the purpose of developing the world’s nonprofit leaders through an overseas fellowship of skilled nonprofit professionals. The stated mission of Atlas Corps is to address critical social issues, develop leaders, strengthen organizations, and promote innovation through an overseas fellowship of skilled nonprofit professionals and an alumni network of world leaders.

Atlas Corps is a multinational service corps and international network of the best nonprofit leaders and organizations and promotes innovation, cooperation, and solutions to address the world’s most intractable challenges. Atlas Corps sends skilled professional nonprofit leaders overseas for 12–18 months to learn the best practices, to share unique insights, and to return home to create a global network. This signature program brings nonprofit leaders from around the world to volunteer in the U.S. and also sends U.S. nonprofit leaders to Bogota, Colombia. During the year-long fellowship, Atlas Corps Fellows participate in a monthly training and development program. All Fellows have 3–10 years of relevant nonprofit experience and an average age of 29 years.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

Atlas Corps’s financial statements are prepared on the accrual basis of accounting and are in accordance with generally accepted accounting principles for not-for-profit organizations. 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.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of Atlas Corps or the passage of time. Temporarily restricted net assets were \$15,000 and \$143,640 at December 31, 2011 and 2010, respectively.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Cash and 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 grants, contributions and from host organizations for the general fellowship program. Atlas Corps's management periodically reviews the status of all accounts receivable balances for collectability. There is no provision for doubtful accounts, based on management's evaluation of the accounts receivable balances at December 31, 2011 and 2010.

Property and Equipment

Property and equipment with a cost of 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 donors. 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.

Revenue from all other sources is recognized when earned.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

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.

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.

Fair Value Measurements

Atlas Corps follows Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, for financial assets and liabilities. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and level 3 is based on unobservable inputs.

3. Property and Equipment

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

	<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ 13,564	\$ 7,681
Accumulated depreciation	<u>(4,906)</u>	<u>(2,411)</u>
Property and equipment, net	<u>\$ 8,658</u>	<u>\$ 5,270</u>

Depreciation expense was \$2,495 and \$1,661 for the years ended December 31, 2011 and 2010, respectively.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2011 and 2010

4. Lease Commitments

In September 2011, Atlas Corps entered into a two year office space lease agreement expiring on September 30, 2013. The terms of the lease call for fixed monthly payments with a provision for an increase in the base rent for the second and final year of the agreement. 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 the office lease for the years ended December 30, 2011 and 2010 was \$28,697 and \$10,576, respectively. Future minimum lease payments under the office lease agreement are as follows for the years ending December 31:

2012	\$	32,800
2013		<u>27,000</u>
Future minimum lease payments	\$	<u><u>59,800</u></u>

Atlas Corps maintains several group homes where the Fellows live. The group homes are leased under annual lease agreements that are renewed at various times during the year. The combined annual rent expense for the group homes was \$77,519 and \$66,300, for the years ended December 31, 2011 and 2010, respectively.

5. 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, 2011 and 2010, respectively, Atlas Colombia received grants from Atlas Corps in the amounts of \$4,350 and \$21,687.

The spouse of the current CEO of Atlas Corps served as Board Secretary until August, 2010. Her duties were limited to independent governance and did not involve making management decisions. She also abstained from voting on financial matters involving Atlas Corps.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2011 and 2010

6. 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.

7. Subsequent Events

Atlas Corps follows the guidance of FASB ASC 855, *Subsequent Events*, which establishes general standards of accounting for and disclosure of events that occur after the statement of financial position date but before the financial statements are issued. FASB ASC 855 also requires disclosure of the date through which an entity has evaluated subsequent events. In preparing these financial statements, Atlas Corps has evaluated events and transactions for potential recognition or disclosure through September 25, 2012, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

Atlas Service Corps, Inc.

Schedule of Functional Expenses For the Year Ended December 31, 2011

	Program Services	Supporting Services		Total Expenses
	General Fellowships	Fundraising	Management and General	
Salaries	\$ 201,987	\$ 46,234	\$ 20,335	\$ 268,556
Payroll taxes	19,570	5,249	2,362	27,181
Fringe benefits	15,915	1,851	833	18,599
Stipends	457,713	-	-	457,713
Fellows' living expenses	247,111	-	-	247,111
Contract services	69,490	495	16,185	86,170
Accounting fees	-	-	33,865	33,865
Advertising	21,858	1,091	-	22,949
Travel	22,761	298	78	23,137
Meetings and training	11,402	-	-	11,402
Supplies and equipment	11,256	1,353	1,276	13,885
Rent	20,715	5,505	2,477	28,697
Colombia office	4,350	-	-	4,350
Depreciation	-	-	2,495	2,495
Total Expenses	\$ 1,104,128	\$ 62,076	\$ 79,906	\$ 1,246,110
Write-off of accounts receivable				128,197
Total Expenses and Losses				\$ 1,374,307

Atlas Service Corps, Inc.

Schedule of Functional Expenses
For the Year Ended December 31, 2010

	Program Services	Supporting Services		Total Expenses
	General Fellowships	Fundraising	Management and General	
Salaries	\$ 116,850	\$ 27,730	\$ 13,244	\$ 157,824
Payroll taxes	20,450	4,843	2,320	27,613
Fringe benefits	3,586	2,253	4,099	9,938
Stipends	244,499	-	-	244,499
Fellows' living expenses	168,425	236	11	168,672
Contract services	24,391	1,514	-	25,905
Administrative expense	24,196	273	2,022	26,491
Accounting fees	1,200	-	16,531	17,731
Advertising	5,092	6,665	886	12,643
Travel	5,692	718	4	6,414
Meetings and training	4,568	-	-	4,568
Supplies and equipment	1,879	-	82	1,961
Rent	-	-	10,576	10,576
Professional fees	-	-	2,556	2,556
Depreciation	-	-	1,661	1,661
Total Expenses	\$ 620,828	\$ 44,232	\$ 53,992	\$ 719,052