

Atlas Service Corps, Inc.

Financial Statements
and Independent Auditors' Report

December 31, 2013 and 2012

Atlas Service Corps, Inc.

Financial Statements
December 31, 2013 and 2012

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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, 2013 and 2012, 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, 2013 and 2012, 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 supplemental 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 signature is written in a cursive, slightly stylized font.

Vienna, Virginia
June 18, 2014

Atlas Service Corps, Inc.

Statements of Financial Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 426,876	\$ 126,479
Accounts receivable	172,200	197,467
Grants receivable, net	50,000	98,077
Prepaid expenses and other assets	110,526	56,831
Property and equipment, net	<u>6,337</u>	<u>7,864</u>
Total assets	<u>\$ 765,939</u>	<u>\$ 486,718</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 4,624	\$ 5,934
Deferred program revenue	556,468	286,277
Refundable advances	<u>19,351</u>	<u>-</u>
Total liabilities	<u>580,443</u>	<u>292,211</u>
Net (Deficit) Assets		
Unrestricted	(15,219)	79,805
Temporarily restricted	<u>200,715</u>	<u>114,702</u>
Total net assets	<u>185,496</u>	<u>194,507</u>
Total liabilities and net assets	<u>\$ 765,939</u>	<u>\$ 486,718</u>

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 and Losses			
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	129,707	-	129,707
	<u>189,557</u>	<u>-</u>	<u>189,557</u>
Write-off of accounts receivable	20	-	20
	<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.

Statement of Activities For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Program revenue	\$ 1,205,795	\$ -	\$ 1,205,795
Grants	-	148,077	148,077
Government grants	46,881	28,500	75,381
Contributions	53,185	-	53,185
In-kind contributions	17,457	-	17,457
Interest income	70	-	70
Other income	21,193	-	21,193
Net assets released from restrictions	76,875	(76,875)	-
	1,421,456	99,702	1,521,158
Expenses and Losses			
Program services:			
General fellowships	1,148,826	-	1,148,826
	1,148,826	-	1,148,826
Supporting services:			
Fundraising	76,484	-	76,484
Management and general	144,683	-	144,683
	221,167	-	221,167
Write-off of accounts receivable	9,901	-	9,901
	1,379,894	-	1,379,894
Change in Net Assets	41,562	99,702	141,264
Net Assets, beginning of year	38,243	15,000	53,243
Net Assets, end of year	\$ 79,805	\$ 114,702	\$ 194,507

See accompanying notes.

Atlas Service Corps, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ (9,011)	\$ 141,264
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,886	2,153
Discount on grants receivable	-	1,923
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	25,267	(164,241)
Grants receivable, net	48,077	(85,000)
Prepaid expenses and other assets	(53,695)	24,887
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,310)	(10,147)
Deferred program revenue	270,191	169,310
Refundable advances	19,351	-
Fellowship and housing deposits	-	(22,460)
	301,756	57,689
Net cash provided by operating activities		
Cash Flows from Investing Activities		
Purchase of equipment	(1,359)	(1,359)
	(1,359)	(1,359)
Net cash used in investing activities		
Net Increase in Cash and Cash Equivalents	300,397	56,330
Cash and Cash Equivalents, beginning of year	126,479	70,149
Cash and Cash Equivalents, end of year	\$ 426,876	\$ 126,479

See accompanying notes.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2013 and 2012

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 \$200,715 and \$114,702 at December 31, 2013 and 2012, respectively.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2013 and 2012

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. 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, 2013 and 2012.

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.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2013 and 2012

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Atlas Corps receives grants and contracts with the federal government, as well as a private foundation, 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 in-kind contributions relating to legal and other professional matters. 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 services in the amount of \$27,678 and \$17,457 for the years ended December 31, 2013 and 2012, 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.

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, 2013 and 2012

2. Summary of Significant Accounting Policies (continued)

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. Atlas Corps did not carry financial assets valued at fair value at December 31, 2013 and 2012.

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. Grants and Contributions Receivable

All grants and contributions receivable are deemed to be fully collectible and are reflected at either net realizable value or at net present value based on projected cash flows. Amounts receivable in more than one year initially recorded in fiscal year 2012 were discounted at an average annual rate of 4% using a rate that considers market and credit risk. Grants receivable are promised as follows at December 31:

	<u>2013</u>	<u>2012</u>
Due in less than one year	\$ 50,000	\$ 50,000
Due in more than one year	<u>-</u>	<u>50,000</u>
Total	50,000	100,000
Less: discount	<u>-</u>	<u>(1,923)</u>
Total grants receivable, net	<u>\$ 50,000</u>	<u>\$ 98,077</u>

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2013 and 2012

5. Property and Equipment

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

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 16,282	\$ 14,923
Accumulated depreciation	<u>(9,945)</u>	<u>(7,059)</u>
Property and equipment, net	<u>\$ 6,337</u>	<u>\$ 7,864</u>

Depreciation expense was \$2,886 and \$2,153 for the years ended December 31, 2013 and 2012, respectively.

6. 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, expiring on September 30, 2014, for the office space. 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 31, 2013 and 2012 was \$50,100 and \$34,700, respectively. Future minimum lease payments under the office lease agreement total \$36,900 for the year ending December 31, 2014.

In October 2013, Atlas Corps began subleasing a portion of its office space to a tenant for one year, commencing on October 1, 2013 and expiring on September 30, 2014. The terms of the lease call for fixed monthly payments of \$775 for 12 months, and include access 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 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 \$163,190 and \$126,364, for the years ended December 31, 2013 and 2012, respectively.

Atlas Service Corps, Inc.

Notes to Financial Statements
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7. 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.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets were \$200,715 and \$114,702 at December 31, 2013 and 2012, respectively, and were all restricted for the passage of time.

9. 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, 2013 and 2012, respectively, Atlas Colombia received grants from Atlas Corps in the amounts of \$90,942 and \$52,665.

10. 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.

Atlas Service Corps, Inc.

Notes to Financial Statements
December 31, 2013 and 2012

11. Subsequent Events

Atlas Corps follows the guidance of Financial Accounting Standards Board (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 June 18, 2014, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

Atlas Service Corps, Inc.

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

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total Expenses</u>
	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
Stipends	779,926		-	-	779,926
Fellows' living expenses	190,641		-	-	190,641
Acumen fellows expense	290,958		-	-	290,958
Contract services	21,991		3,172	5,789	30,952
Accounting fees	-		-	13,760	13,760
Advertising	8,325		1,623	3,004	12,952
Travel and meetings	8,376		1,489	767	10,632
Training	70,540		1,877	1,660	74,077
Supplies and equipment	17,389		2,543	5,144	25,076
Rent	-		-	50,100	50,100
Colombia office	90,942		-	-	90,942
Depreciation	-		-	2,886	2,886
Miscellaneous	-		-	1,914	1,914
Total Expenses	\$ 1,770,047		\$ 59,850	\$ 129,707	\$ 1,959,604
Write-off of accounts receivable					20
Total Expenses and Losses					\$ 1,959,624

Atlas Service Corps, Inc.

Schedule of Functional Expenses
For the Year Ended December 31, 2012

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>General Fellowships</u>	<u>Fundraising</u>	<u>Management and General</u>	
Salaries	\$ 181,072	\$ 55,442	\$ 44,007	\$ 280,521
Payroll taxes	15,602	4,884	4,106	24,592
Fringe benefits	7,363	-	6,579	13,942
Stipends	586,459	-	-	586,459
Fellows' living expenses	154,044	-	-	154,044
Acumen fellows expense	110,178	-	-	110,178
Contract services	4,200	2,688	9,426	16,314
Accounting fees	-	-	30,709	30,709
Advertising	2,530	10,297	505	13,332
Travel and meetings	6,094	460	334	6,888
Training	24,101	2,373	50	26,524
Supplies and equipment	4,167	340	10,842	15,349
Rent	-	-	34,700	34,700
Colombia office	52,665	-	-	52,665
Depreciation	-	-	2,153	2,153
Miscellaneous	351	-	1,272	1,623
Total Expenses	\$ 1,148,826	\$ 76,484	\$ 144,683	\$ 1,369,993
Write-off of accounts receivable				9,901
Total Expenses and Losses				\$ 1,379,894