

**Atlas Service Corps, Inc.**

Financial Statements  
and Independent Auditors' Report

December 31, 2016 and 2015

**Atlas Service Corps, Inc.**

Financial Statements  
December 31, 2016 and 2015

**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, 2016 and 2015, 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 from 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, 2016 and 2015, 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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The "R" is large and stylized, and the "+" sign is a simple cross.

Vienna, Virginia  
November 13, 2017

**Atlas Service Corps, Inc.**

Statements of Financial Position  
December 31, 2016 and 2015

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 456,488	\$ 385,908
Accounts receivable, net	25,689	69,680
Grants receivable	257,113	137,029
Prepaid expenses and other assets	199,104	279,008
Property and equipment, net	1,365	2,604
	<hr/>	<hr/>
Total assets	\$ 939,759	\$ 874,229
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 65,867	\$ 42,617
Deferred program revenue	450,730	444,889
Refundable advances	174,846	161,502
Deferred rent	7,103	5,281
	<hr/>	<hr/>
Total liabilities	698,546	654,289
	<hr/>	<hr/>
<b>Net Assets</b>		
Unrestricted	81,213	19,940
Temporarily restricted	160,000	200,000
	<hr/>	<hr/>
Total net assets	241,213	219,940
	<hr/>	<hr/>
Total liabilities and net assets	\$ 939,759	\$ 874,229
	<hr/> <hr/>	<hr/> <hr/>

*See accompanying notes.*

**Atlas Service Corps, Inc.**

Statement of Activities  
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>			
Program revenue	\$ 2,398,604	\$ -	\$ 2,398,604
Government grants	671,795	-	671,795
Grants	109,228	150,000	259,228
Contributions	260,524	-	260,524
In-kind contributions	6,451	-	6,451
Interest income	8	-	8
Other income	23,393	-	23,393
Net assets released from restrictions	190,000	(190,000)	-
	3,660,003	(40,000)	3,620,003
<b>Expenses</b>			
Program services:			
General fellowships	3,296,154	-	3,296,154
	3,296,154	-	3,296,154
Supporting services:			
Fundraising	194,383	-	194,383
Management and general	108,193	-	108,193
	302,576	-	302,576
Total expenses	3,598,730	-	3,598,730
<b>Change in Net Assets</b>	61,273	(40,000)	21,273
<b>Net Assets, beginning of year</b>	19,940	200,000	219,940
<b>Net Assets, end of year</b>	\$ 81,213	\$ 160,000	\$ 241,213

*See accompanying notes.*

**Atlas Service Corps, Inc.**

Statement of Activities  
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>			
Program revenue	\$ 1,872,253	\$ -	\$ 1,872,253
Government grants	451,597	-	451,597
Grants	77,228	200,000	277,228
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)	-
	<b>2,892,405</b>	<b>-</b>	<b>2,892,405</b>
<b>Expenses</b>			
Program services:			
General fellowships	2,643,363	-	2,643,363
	<b>2,643,363</b>	<b>-</b>	<b>2,643,363</b>
Supporting services:			
Fundraising	60,004	-	60,004
Management and general	382,223	-	382,223
	<b>442,227</b>	<b>-</b>	<b>442,227</b>
Total expenses	<b>3,085,590</b>	<b>-</b>	<b>3,085,590</b>
<b>Change in Net Assets</b>	<b>(193,185)</b>	<b>-</b>	<b>(193,185)</b>
<b>Net Assets</b> , beginning of year	<b>213,125</b>	<b>200,000</b>	<b>413,125</b>
<b>Net Assets</b> , end of year	<b>\$ 19,940</b>	<b>\$ 200,000</b>	<b>\$ 219,940</b>

See accompanying notes.

**Atlas Service Corps, Inc.**

Statements of Cash Flows  
For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 21,273	\$ (193,185)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,239	2,467
Change in allowance for accounts receivable	38,000	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	5,991	183,285
Grants receivable	(120,084)	(126,324)
Prepaid expenses and other assets	79,904	(123,064)
Increase (decrease) in:		
Accounts payable and accrued expenses	23,250	7,308
Deferred program revenue	5,841	(617)
Refundable advances	13,344	42,858
Deferred rent	1,822	5,281
Net cash provided by (used in) operating activities	70,580	(201,991)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	70,580	(201,991)
<b>Cash and Cash Equivalents, beginning of year</b>	385,908	587,899
<b>Cash and Cash Equivalents, end of year</b>	\$ 456,488	\$ 385,908

*See accompanying notes.*



## Atlas Service Corps, Inc.

Notes to Financial Statements  
December 31, 2016 and 2015

### 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 21<sup>st</sup> 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 \$81,213 and \$19,940 at December 31, 2016 and 2015, 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 \$160,000 and \$200,000 at December 31, 2016 and 2015, respectively.

#### 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, 2016 and 2015

### **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. The allowance for uncollectible accounts receivable was assessed at \$38,000 and \$0 at December 31, 2016 and 2015, respectively.

#### 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, 2016 and 2015, 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, 2016 and 2015

### 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 Atlas Corps's policy 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 \$6,451 and \$28,000 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015

### 2. Summary of Significant Accounting Policies (continued)

#### Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in 2018.

#### Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. These reclassifications have no effect on the change in net assets previously reported.

#### Subsequent Events

In preparing these financial statements, Atlas Corps has evaluated events and transactions for potential recognition or disclosure through November 13, 2017, 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.

## Atlas Service Corps, Inc.

Notes to Financial Statements  
December 31, 2016 and 2015

### 4. Property and Equipment

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

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 17,921	\$ 17,921
Accumulated depreciation	<u>(16,556)</u>	<u>(15,317)</u>
Property and equipment, net	<u>\$ 1,365</u>	<u>\$ 2,604</u>

### 5. Lease Commitments

During 2014, Atlas Corps entered into an 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. In October 2016, only one of the subleases was renewed through September 30, 2017. Subsequent to year-end, in October 2017, this sublease was extended through December 31, 2017. 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, 2016 and 2015 was \$80,381 and \$81,550, respectively.

## Atlas Service Corps, Inc.

Notes to Financial Statements  
December 31, 2016 and 2015

### 5. Lease Commitments (continued)

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>
2017	\$ 80,913	\$ 8,865	\$ 72,048
2018	83,336	-	83,336
2019	63,901	-	63,901
Total	<u>\$ 228,150</u>	<u>\$ 8,865</u>	<u>\$ 219,285</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 \$288,451 and \$253,132 for the years ended December 31, 2016 and 2015, 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 \$160,000 and \$200,000 December 31, 2016 and 2015, respectively, 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.

## **Atlas Service Corps, Inc.**

Notes to Financial Statements  
December 31, 2016 and 2015

### **8. Related Parties (continued)**

During the year ended December 31, 2015, Atlas Colombia received grants from Atlas Corps totaling \$9,046. There were no grants to Atlas Colombia during the year ended December 31, 2016.

Atlas Corps receives unrestricted support in the form of contributions from its Board members and employees. For the years ended December 31, 2016 and 2015, Atlas Corps received \$53,312 and \$43,700, 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, 2016

	Program Services	Supporting Services		Total Expenses
	General Fellowships	Fundraising	Management and General	
Salaries	\$ 404,452	\$ 63,274	\$ 17,617	\$ 485,343
Payroll taxes	35,758	5,594	1,558	42,910
Fringe benefits	76,696	11,640	3,241	91,577
Fellow stipends	1,667,220	-	-	1,667,220
Fellow travel	195,507	-	-	195,507
Fellow living expenses	314,544	-	-	314,544
Fellow training	200,301	-	-	200,301
Fellow insurance	138,304	-	-	138,304
Professional fees	60,726	7,407	20,390	88,523
Advertising	1,741	501	209	2,451
Staff travel and meetings	9,332	1,857	1,068	12,257
Conferences and events	-	72,610	-	72,610
Supplies and equipment	14,921	15,572	4,662	35,155
Insurance	1,139	178	376	1,693
Office rent	54,071	8,459	17,851	80,381
Colombia office	20,000	-	-	20,000
Depreciation	834	130	275	1,239
Communications	2,645	411	867	3,923
Program subgrant	86,148	-	-	86,148
Miscellaneous	11,815	6,750	2,079	20,644
Bad debt expense	-	-	38,000	38,000
<b>Total Expenses</b>	<b>\$ 3,296,154</b>	<b>\$ 194,383</b>	<b>\$ 108,193</b>	<b>\$ 3,598,730</b>

**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	1,338,350	-	-	1,338,350
Fellow travel	224,496	-	-	224,496
Fellow living expenses	295,069	-	-	295,069
Fellow training	52,176	-	-	52,176
Fellow insurance	103,186	-	-	103,186
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	51,891	1,909	4,937	58,737
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
Communications	3,499	-	-	3,499
Miscellaneous	5,435	41	1,931	7,407
<b>Total operating expenses</b>	<b>2,643,363</b>	<b>60,004</b>	<b>113,913</b>	<b>2,817,280</b>
Cyber theft	-	-	268,310	268,310
<b>Total Expenses</b>	<b>\$ 2,643,363</b>	<b>\$ 60,004</b>	<b>\$ 382,223</b>	<b>\$ 3,085,590</b>