

iMENTOR, INC.
Audited Financial Statements
June 30, 2011

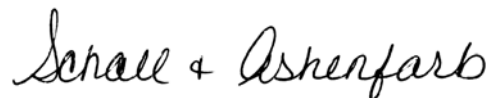
INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
iMentor, Inc.

We have audited the accompanying statement of financial position of iMentor, Inc. as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of iMentor, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from iMentor's June 30, 2010 financial statements and, in our report dated February 3, 2011 we expressed an unqualified opinion on those financial 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 iMentor, Inc. as of June 30, 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.



Schall & Ashenfarb
Certified Public Accountants, LLC

January 25, 2012

iMENTOR, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2011
(With comparative totals for June 30, 2010)

	<u>6/30/11</u>	<u>6/30/10</u>
Assets		
Cash and cash equivalents (Note 2c)	\$4,995,323	\$5,311,690
Contributions receivable (Note 3)	2,785,858	3,647,806
Prepaid expenses	154,688	56,550
Investments (Notes 2f and 4)	4,369,468	4,190,828
Fixed assets (net of accumulated depreciation) (Notes 2g and 5)	595,983	738,725
Security deposits	<u>317,182</u>	<u>327,444</u>
 Total assets	 <u><u>\$13,218,502</u></u>	 <u><u>\$14,273,043</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$403,790	\$284,873
Deferred revenue	219,094	72,132
Deferred rent	<u>336,646</u>	<u>243,807</u>
 Total liabilities	 <u>959,530</u>	 <u>600,812</u>
Net assets: (Note 2b)		
Unrestricted	2,996,108	4,192,765
Temporarily restricted (Note 6)	5,361,864	5,578,466
Permanently restricted (Note 7)	<u>3,901,000</u>	<u>3,901,000</u>
 Total net assets	 <u>12,258,972</u>	 <u>13,672,231</u>
 Total liabilities and net assets	 <u><u>\$13,218,502</u></u>	 <u><u>\$14,273,043</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

iMENTOR, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(With comparative totals for the year ended June 30, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 6/30/11</u>	<u>Total 6/30/10</u>
Public support and revenue:					
Contributions:					
Board contributions	\$504,765			\$504,765	\$51,050
Other individual contributions	258,273			258,273	365,206
Foundation contributions	171,598	\$1,714,307		1,885,905	3,222,503
Corporate contributions	433,935	385,000		818,935	441,929
Government grants	7,100			7,100	0
In-kind contributions (Note 2j)	188,576			188,576	189,553
Special events	27,072			27,072	3,464,778
iMi member fees	198,564			198,564	264,553
NYC program fees	97,900			97,900	82,650
Rental income (Note 8)	167,130			167,130	110,087
Investment income (Notes 2f and 4)	154,358	87,995		242,353	146,339
Net assets released from restriction (Note 6)	2,463,487	(2,463,487)		0	0
Total public support and revenue	4,672,758	(276,185)	0	4,396,573	8,338,648
Expenses:					
Program services	4,522,165			4,522,165	3,553,181
Management and general	759,796			759,796	437,075
Fundraising	527,871			527,871	558,993
Total expenses	5,809,832	0	0	5,809,832	4,549,249
Change in net assets	(1,137,074)	(276,185)	0	(1,413,259)	3,789,399
Reclassification due to change in law (Note 7)	(59,583)	59,583		0	0
Net assets - beginning of year	4,192,765	5,578,466	3,901,000	13,672,231	9,882,832
Net assets - end of year	<u>\$2,996,108</u>	<u>\$5,361,864</u>	<u>\$3,901,000</u>	<u>\$12,258,972</u>	<u>\$13,672,231</u>

The attached notes and auditors' report are an integral part of these financial statements.

iMENTOR, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011
(With comparative totals for the year ended June 30, 2010)

	Program Services			Supporting Services			Total 6/30/11	Total 6/30/10
	NYC	iMi	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$1,465,501	\$814,027	\$2,279,528	\$281,844	\$291,428	\$573,272	\$2,852,800	\$2,075,235
Payroll taxes and benefits	256,383	173,055	429,438	51,538	53,167	104,705	534,143	385,870
Occupancy	398,788	310,351	709,139	69,073	86,276	155,349	864,488	782,429
Insurance	39,485	27,001	66,486	10,406	5,812	16,218	82,704	68,374
Professional fees	20,099	75,422	95,521	254,841	7,211	262,052	357,573	289,870
Talent development	30,647	19,422	50,069	36,339	16,230	52,569	102,638	23,219
Office supplies and expenses	20,933	10,794	31,727	2,775	3,488	6,263	37,990	34,163
Other general and administrative expenses	19,334	14,402	33,736	6,398	8,715	15,113	48,849	45,290
Indirect special event expenses			0			0	0	160,267
Research & evaluation	32,449	1,616	34,065	359	449	808	34,873	0
IT/Telecommunications	61,487	78,904	140,391	6,873	8,621	15,494	155,885	133,087
Travel and conferences	8,984	15,102	24,086	829	2,956	3,785	27,871	18,865
Mentor/mentee events	106,425		106,425			0	106,425	108,814
Background investigations	163,857		163,857	3,680		3,680	167,537	59,661
Depreciation	201,153	156,544	357,697	34,841	43,518	78,359	436,056	364,105
Total	\$2,825,525	\$1,696,640	\$4,522,165	\$759,796	\$527,871	\$1,287,667	\$5,809,832	\$4,549,249

The attached notes and auditors' report are an integral part of these financial statements.

iMENTOR, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(With comparative totals for the year ended June 30, 2010)

	<u>6/30/11</u>	<u>6/30/10</u>
Cash flows from operating activities:		
Change in net assets	(\$1,413,259)	\$3,789,399
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	436,056	364,105
Unrealized gain on investments	(70,811)	(59,583)
Realized gain on investments	(18,325)	0
(Increase)/decrease in assets:		
Contributions receivable	861,948	(1,490,292)
Prepaid expenses	(98,138)	(38,924)
Security deposits	10,262	0
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	118,917	113,073
Deferred revenue	146,962	43,632
Deferred rent	92,839	211,834
Total adjustments	<u>1,479,710</u>	<u>(856,155)</u>
Net cash flows provided by operating activities	<u>66,451</u>	<u>2,933,244</u>
Cash flows from investing activities:		
Outlays for fixed assets	(293,314)	(436,741)
Purchase of investments	(3,327,167)	(1,849,483)
Proceeds from sale of investments	3,237,663	1,637,043
Net cash flows used for investing activities	<u>(382,818)</u>	<u>(649,181)</u>
Net (decrease)/increase in cash and cash equivalents	(316,367)	2,284,063
Cash and cash equivalents - beginning of year	<u>5,311,690</u>	<u>3,027,627</u>
Cash and cash equivalents - end of year	<u>\$4,995,323</u>	<u>\$5,311,690</u>

No interest or income taxes were paid.

The attached notes and auditors' report are an integral part of these financial statements.

iMENTOR, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Nature of Entity

iMentor, Inc. is a not-for-profit organization whose mission is to improve the lives of young people from underserved communities through innovative, technology-based approaches to mentoring. iMentor, Inc. consists of two programs to increase the impact and scalability of the traditional mentoring model:

- iMentor NYC is a direct service mentoring program operating in New York City focused on ensuring high school students from low income communities graduate from high school college-ready and succeed in college.
- iMentor Interactive (“iMi”) is a technical assistance and programmatic support platform sold to schools and youth development organizations to start, improve or develop their own mentoring programs in the iMentor model.

iMentor, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of iMentor, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

b. Basis of Presentation

iMentor, Inc., as a not-for-profit organization, is required to report information regarding its financial position and activities according to the following classes of net assets:

- *Unrestricted* – represents all activity without donor imposed restrictions.
- *Temporarily restricted* – accounts for activity based on specific donor restrictions that are expected to be satisfied by passage of time or performance of activities.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity.

c. Cash and Cash Equivalents

iMentor, Inc. considers all liquid investments that are not restricted and have an initial maturity of three months or less to be cash and cash equivalents. However, amounts held by the investment custodian for long term purposes are included with investments.

d. Concentration of Credit Risk

Financial instruments which potentially subject iMentor, Inc. to concentration of credit risk consist of cash, money market accounts and investment securities. iMentor, Inc. places its temporary cash and money market accounts with financial institutions that management deems to be creditworthy. Accounts are insured by FDIC and SIPC. At year end, iMentor's balances were in excess of insurance levels by \$3,427,000. However iMentor has not experienced any losses due to bank failure.

e. Contributions receivable

iMentor, Inc. records unconditional promises to give as revenue in the period received at net realizable value if expected to be received within one year or at the fair value using risk adjusted present value techniques if expected to be received after one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges are reviewed for collectability. Management has not established a reserve for uncollectable pledges as they deem all pledges to be collectable.

f. Investments

Securities are reflected at fair market value, which is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities.

g. Fixed Assets

Fixed assets to which iMentor, Inc. retains title and capital items purchased which benefit future periods are capitalized at cost, or if donated, at the estimated fair market value at the time of donation.

Fixed assets consist of the iMi platform, iMentor.org website, leasehold improvements, furniture, equipment and computers, which are carried at cost and are being depreciated over their useful lives and lease terms using the straight-line method.

h. Deferred Rent

Rent expense is recorded on the straight-line basis over the life of the lease. Rent expense recognized in excess of cash payments, primarily due to free rent received at the beginning of the lease, is reflected as deferred rent. As future payments exceed the annual expense recognized, deferred rent will be reduced to zero by the end of the lease term.

i. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction. When a 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 statement of activities as net assets released from restriction. Contributions received with restrictions that expire within the same reporting period are reported as unrestricted. Conditional pledges that have not been recorded at June 30, 2011 amounted to \$225,000.

- j. Donated Services
iMentor, Inc. recognizes contributions of services that create or enhance non-financial assets, or require specialized skills, are performed by those who possess those skills and would typically be purchased if not donated. During the year, \$188,576 of in-kind legal services has been recognized.
- k. Promotional Costs
Promotional costs are expensed as incurred.
- l. Expense Allocation/Management Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.
- The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of iMentor, Inc.
- m. Summarized Comparative Information
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with iMentor's financial statements for the year ended June 30, 2010 from which the summarized information was derived.
- n. Accounting for Uncertainty of Income Taxes
iMentor has adopted the provisions of FASB ASC 740, *Income Taxes*, which applies to positions taken or expected to be taken in a tax return. Organizations are required to recognize the effects of certain tax positions taken if they are more likely than not of being sustained. iMentor does not believe its financial statements include any uncertain positions.
- o. Subsequent Events
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through January 25, 2012, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

Note 3 - Contributions Receivable

Contributions receivable are due as follows:

Year ended June 30, 2012	\$1,381,951
2013	875,000
Thereafter	<u>562,884</u>
	2,819,835
Less: adjustment to fair value	<u>(33,977)</u>
Total	<u>\$2,785,858</u>

Note 4 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that iMentor, Inc. has the ability to access.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The fair value of investments held for the year ended June 30, 2011 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
U.S. Treasuries Money Fund	\$0	\$476,947	\$476,947
Certificates of Deposit	101,091	0	101,091
U.S. Treasury Notes	689,537	0	689,537
Mutual Funds:			
Diversified Bond Fund	1,394,037	0	1,394,037
Inflation Protected Bond Fund	134,619	0	134,619
Commodity Fund	161,121	0	161,121
Exchange Traded Funds:			
Commodity Index Fund	452,603	0	452,603
Equity Index Fund	828,795	0	828,795
REIT Index Fund	<u>130,718</u>	<u>0</u>	<u>130,718</u>
	<u>\$3,892,521</u>	<u>\$476,947</u>	<u>\$4,369,468</u>

Investment income for the year ended June 30, 2011 is as follows:

Interest & dividends	\$153,217
Realized gains	18,325
Unrealized gains	<u>70,811</u>
	<u>\$242,353</u>

Note 5 - Fixed Assets

Fixed assets for the year ended June 30, 2011 consists of:

Website and computer software	\$1,527,169
Computers and equipment	105,049
Leasehold improvements	251,433
Furniture and fixtures	<u>37,427</u>
	1,921,078
Less: accumulated depreciation and amortization	<u>(1,325,095)</u>
Net fixed assets	<u>\$595,983</u>

Note 6 - Temporarily Restricted Net Assets

Net assets were released from restriction due to the following:

Satisfaction of program purposes:	
Growth Campaign	\$1,538,875
Social Innovation Fund	157,769
Other programs	<u>556,535</u>
	2,253,179
Satisfaction of time restrictions	<u>210,308</u>
Total	<u>\$2,463,487</u>

At June 30, 2011, temporarily restricted net assets were available for:

Programs:	
Growth Campaign	\$2,977,750
Social Innovation Fund	729,731
Other programs	<u>703,465</u>
Total programs	4,410,946
Endowment	147,578
Specific time periods	<u>803,340</u>
	<u>\$5,361,864</u>

Note 7 - Permanently Restricted Net Assets/Endowment Funds

iMentor's endowment consists of an endowment fund established in June 2008. The interest and dividends from these investments can be used to support iMentor's general activities. Additionally, the endowment includes earnings from investment gains that have not been designated for specific use by the donor and have not yet been appropriated by the board of directors.

Interpretation of Relevant Law

On September 17, 2010, New York State adopted New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Board of Directors of iMentor has interpreted NYPMIFA as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, iMentor will preserve the fair value of the original gift as of the gift date of all donor-restricted endowment funds. However, under certain circumstances,

iMentor has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, iMentor classifies as permanently restricted net assets as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Absent any specific donor-stipulations, when endowment funds have earnings in excess of amounts that need to be retained permanently, these excess amounts are classified as temporarily restricted net assets until appropriated for expenditure by the organization's governing board.

Spending Policies

In accordance with NYPMIFA, iMentor considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of iMentor and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of iMentor
- (7) The investment policies of iMentor
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on iMentor

Changes in endowment net assets for the year ended June 30, 2011:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$140,944	\$0	\$3,901,000	\$4,041,944
Net assets reclassification based on change in law	<u>(59,583)</u>	<u>59,583</u>	<u>0</u>	<u>0</u>
Endowment net assets after reclassification	81,361	59,583	3,901,000	4,041,944
Interest and dividend income	138,438	0	0	138,438
Unrealized gains	0	70,811	0	70,811
Realized gains on investments	<u>0</u>	<u>17,184</u>	<u>0</u>	<u>17,184</u>
Endowment net assets, end of year	<u>\$219,799</u>	<u>\$147,578</u>	<u>\$3,901,000</u>	<u>\$4,268,377</u>

Endowment Investment Policies

iMentor has adopted an investment policy for endowment assets that relies on the accumulation of interest, dividends and other market value gains for future appropriation.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires iMentor to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2011.

Note 8 - Commitments and Contingencies

iMentor, Inc. has 2 separate non-cancelable leases for office spaces in New York City that expire at various dates in 2012 and 2019. The minimum annual commitments for lease payments are as follows:

June 30, 2012	\$743,297
June 30, 2013	651,568
June 30, 2014	664,599
June 30, 2015	715,291
June 30, 2016	737,077
Thereafter	<u>2,631,771</u>
Total	<u>\$6,143,603</u>

iMentor, Inc. subleases space at one of the office spaces. The minimum annual future rents are as follows:

June 30, 2011	<u>\$103,950</u>
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Government supported projects are subject to audit by the applicable granting agency.

During the year ended June 30, 2011, iMentor, Inc. entered into a multi-year agreement for an evaluation study. The total commitment under the agreement is \$1,131,000.

Note 9 - Related Party Transactions

The majority of donated legal services were performed by a law firm which one of the members of the Board of Directors is a partner of.

Note 10 - Risk and Uncertainties

iMentor, Inc. has investments that are exposed to various risks such as interest rate, market and credit risks. Changes in the value of investment securities may occur in the near term and such changes could affect the amounts reported in the statement of financial position.

iMentor, inc. is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; actions to employees, and natural disasters. iMentor, Inc. maintains commercial insurance to protect itself from such risks.