



IRA L. SCHALL, CPA  
DAVID C. ASHENFARB, CPA

**iMENTOR, INC.**  
**Audited Financial Statements**  
**June 30, 2012**

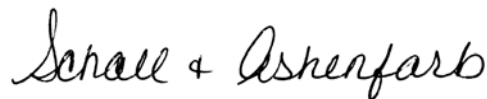
## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
iMentor, Inc.

We have audited the accompanying statement of financial position of iMentor, Inc. as of June 30, 2012, 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, 2011 financial statements and, in our report dated January 25, 2012 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, 2012, 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

November 21, 2012

**iMENTOR, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2012**  
(With comparative totals for June 30, 2011)

	<u>6/30/12</u>	<u>6/30/11</u>
<b>Assets</b>		
Cash and cash equivalents (Note 2c)	\$3,600,979	\$4,995,323
Contributions receivable (Note 3)	1,772,344	2,785,858
Prepaid expenses	172,041	154,688
Investments (Notes 2f and 4)	4,354,380	4,369,468
Fixed assets (net of accumulated depreciation) (Notes 2g and 5)	735,457	595,983
Security deposits	<u>216,882</u>	<u>317,182</u>
 Total assets	 <u><u>\$10,852,083</u></u>	 <u><u>\$13,218,502</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$372,382	\$403,790
Deferred revenue	133,386	219,094
Deferred rent	<u>364,708</u>	<u>336,646</u>
 Total liabilities	 <u>870,476</u>	 <u>959,530</u>
Net assets: (Note 2b)		
Unrestricted	3,331,138	2,996,108
Temporarily restricted (Note 6)	2,749,469	5,361,864
Permanently restricted (Note 7)	<u>3,901,000</u>	<u>3,901,000</u>
 Total net assets	 <u>9,981,607</u>	 <u>12,258,972</u>
 Total liabilities and net assets	 <u><u>\$10,852,083</u></u>	 <u><u>\$13,218,502</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, 2012**  
(With comparative totals for the year ended June 30, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 6/30/12</u>	<u>Total 6/30/11</u>
Public support and revenue:					
Contributions:					
Board contributions	\$402,265			\$402,265	\$504,765
Other individual contributions	251,185			251,185	258,273
Foundation contributions	403,077	\$1,636,671		2,039,748	1,885,905
Corporate contributions	190,965	343,400		534,365	818,935
Government grants		30,481		30,481	7,100
In-kind contributions (Note 2j)	327,994			327,994	188,576
Special events	1,526,738			1,526,738	27,072
iMi member fees	232,374			232,374	198,564
NYC program fees	110,155			110,155	97,900
Rental income (Note 8)	136,608			136,608	167,130
Other income	53,474			53,474	0
Investment income (Notes 2f and 4)	110,355	(66,741)		43,614	242,353
Net assets released from restriction (Note 6)	4,556,206	(4,556,206)		0	0
<b>Total public support and revenue</b>	<b>8,301,396</b>	<b>(2,612,395)</b>	<b>0</b>	<b>5,689,001</b>	<b>4,396,573</b>
Expenses:					
Program services	5,577,699			5,577,699	4,522,165
Management and general	1,612,795			1,612,795	759,796
Fundraising	775,872			775,872	527,871
<b>Total expenses</b>	<b>7,966,366</b>	<b>0</b>	<b>0</b>	<b>7,966,366</b>	<b>5,809,832</b>
Change in net assets	335,030	(2,612,395)	0	(2,277,365)	(1,413,259)
Net assets - beginning of year	2,996,108	5,361,864	3,901,000	12,258,972	13,672,231
Net assets - end of year	<u>\$3,331,138</u>	<u>\$2,749,469</u>	<u>\$3,901,000</u>	<u>\$9,981,607</u>	<u>\$12,258,972</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, 2012**  
(With comparative totals for the year ended June 30, 2011)

	Program Services			Supporting Services			Total 6/30/12	Total 6/30/11
	NYC	iMi	Total	Management and		Total		
			Program Services	General	Fundraising	Supporting Services		
Salaries	\$2,068,212	\$985,636	\$3,053,848	\$736,850	\$508,775	\$1,245,625	\$4,299,473	\$2,852,800
Payroll taxes and benefits	379,453	186,637	566,090	121,698	76,833	198,531	764,621	534,143
Occupancy	409,824	166,219	576,043	240,045	64,511	304,556	880,599	864,488
Insurance	47,802	19,370	67,172	19,058	5,121	24,179	91,351	82,704
Professional fees	102,454	77,245	179,699	311,481	24,130	335,611	515,310	357,573
Talent development	16,697	24,160	40,857	25,993	13,508	39,501	80,358	102,638
Office supplies and expenses	20,278	6,123	26,401	5,140	11,312	16,452	42,853	37,990
Advertising and marketing	3,288	1,150	4,438	1,548	5,123	6,671	11,109	1,488
Dues & subscriptions	3,147	1,359	4,506	6,566	442	7,008	11,514	12,137
Equipment lease and rental	5,374	2,299	7,673	1,515	865	2,380	10,053	9,400
Other general and administrative expenses	11,044	11,400	22,444	6,390	14,542	20,932	43,376	25,824
Research and evaluation	148,563		148,563			0	148,563	34,873
IT/Telecommunications	89,729	120,860	210,589	19,730	10,804	30,534	241,123	155,885
Travel and conferences	16,197	31,926	48,123	3,181	2,084	5,265	53,388	27,871
Mentor/mentee events	111,592		111,592			0	111,592	106,425
Background investigations	167,257	4,677	171,934	4,599		4,599	176,533	167,537
Bad debt expense			0	39,586		39,586	39,586	0
Depreciation	240,280	97,447	337,727	69,415	37,822	107,237	444,964	436,056
<b>Total</b>	<b>\$3,841,191</b>	<b>\$1,736,508</b>	<b>\$5,577,699</b>	<b>\$1,612,795</b>	<b>\$775,872</b>	<b>\$2,388,667</b>	<b>\$7,966,366</b>	<b>\$5,809,832</b>

*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, 2012**  
(With comparative totals for the year ended June 30, 2011)

	<u>6/30/12</u>	<u>6/30/11</u>
Cash flows from operating activities:		
Change in net assets	(\$2,277,365)	(\$1,413,259)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	444,964	436,056
Unrealized gain on investments	(27,723)	(70,811)
Realized loss/(gain) on investments	91,116	(18,325)
(Increase)/decrease in assets:		
Contributions receivable	1,013,514	861,948
Prepaid expenses	(17,353)	(98,138)
Security deposits	100,300	10,262
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	(31,408)	118,917
Deferred revenue	(85,708)	146,962
Deferred rent	28,062	92,839
Total adjustments	<u>1,515,764</u>	<u>1,479,710</u>
Net cash flows (used for)/provided by operating activities	<u>(761,601)</u>	<u>66,451</u>
Cash flows from investing activities:		
Outlays for fixed assets	(584,438)	(293,314)
Purchase of investments	(885,957)	(3,327,167)
Proceeds from sale of investments	837,652	3,237,663
Net cash flows used for investing activities	<u>(632,743)</u>	<u>(382,818)</u>
Net decrease in cash and cash equivalents	(1,394,344)	(316,367)
Cash and cash equivalents - beginning of year	<u>4,995,323</u>	<u>5,311,690</u>
Cash and cash equivalents - end of year	<u>\$3,600,979</u>	<u>\$4,995,323</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, 2012**

**Note 1 - Nature of Entity**

iMentor, Inc. is a not-for-profit organization that builds mentoring relationships that empower students in low-income communities to graduate high school, succeed in college, and achieve their ambitions. Students and mentors work one-to-one through weekly emails and monthly in-person meetings to develop strong personal relationships, nurture a college aspiration, navigate the college application process, and build critical skills that lead to college success. iMentor brings together public schools, nonprofits, and community volunteers to empower more students to build bright futures. iMentor, Inc. consists of two programs:

- iMentor NYC is a school-based mentoring program matching high school students in New York City in one-to-one relationships with college-educated mentors for three to four years. iMentor partners with public schools to ensure every student receives a mentor and augment existing guidance and college counseling programs.
- iMentor Interactive is a national partnership program that brings iMentor's effective mentoring model to communities nationwide. iMentor provides its curriculum, technology tools, and best practices to non-profits nationwide to help them run effective 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. 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. invests with financial institutions that management deems to be creditworthy. At year end, iMentor's balances were in excess of insurance levels by \$3,334,544. However iMentor has not experienced any losses due to the failure of any financial institution.

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. Pledges are reviewed for collectability. Management has not established a reserve for uncollectable pledges as they deem all pledges to be collectable.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional pledges that have not been recognized at June 30, 2012 amounted to \$521,475.

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 estimated 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.

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, \$327,844 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, 2011 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 November 21, 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, 2013	\$1,181,314
Greater than five years	<u>591,030</u>
Total	<u>\$1,772,344</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. All investments have been classified as Level 1, which means that the valuation is based on unadjusted quoted prices in active markets for identical assets that iMentor, Inc. has the ability to access.

The fair value of investments held for the year ended June 30, 2012 are as follows:

U.S. Treasuries Money Fund	\$1,246,121
Equities	53,686
Mutual Funds:	
Diversified Bond Fund	1,588,493
Exchange Traded Funds:	
Commodity Index Fund	<u>1,466,080</u>
	<u>\$4,354,380</u>

Investment income for the year ended June 30, 2012 is as follows:

Interest & dividends	\$107,007
Realized loss on sale of investments	(91,116)
Unrealized gains	<u>27,723</u>
	<u>\$43,614</u>

Investments are designated as follows:

Endowment (Note 7)	\$4,300,694
Unrestricted	<u>53,686</u>
	<u>\$4,354,380</u>

**Note 5 - Fixed Assets**

Fixed assets for the year ended June 30, 2012 consists of:

Website and computer software	\$1,999,499
Computers and equipment	196,568
Leasehold improvements	261,025
Furniture and fixtures	<u>48,424</u>
	2,505,516
Less: accumulated depreciation and amortization	<u>(1,770,059)</u>
Net fixed assets	<u>\$735,457</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	1,510,249
Other programs	<u>1,291,625</u>
Total program restrictions	4,340,749
Satisfaction of time restrictions	<u>215,457</u>
Total	<u>\$4,556,206</u>

At June 30, 2012, temporarily restricted net assets were available for:

Programs:	
Growth Campaign	\$1,438,875
Social Innovation Fund	78,488
Other programs	<u>535,240</u>
Total programs	2,052,603
Endowment	80,837
Specific time periods	<u>616,029</u>
	<u>\$2,749,469</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, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$219,799	\$147,578	\$3,901,000	\$4,268,377
Interest and dividend income	99,058	0	0	99,058
Unrealized gains	0	27,140	0	27,140
Realized gains on investments	<u>0</u>	<u>(93,881)</u>	<u>0</u>	<u>(93,881)</u>
Endowment net assets, end of year	<u>\$318,857</u>	<u>\$80,837</u>	<u>\$3,901,000</u>	<u>\$4,300,694</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, 2012.

**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:

For the year ended:	June 30, 2013	\$651,568
	June 30, 2014	664,599
	June 30, 2015	715,291
	June 30, 2016	737,077
	June 30, 2017	751,819
Thereafter		<u>1,879,952</u>
Total		<u>\$5,400,306</u>

Government supported projects are subject to audit by the applicable granting agency.

iMentor has selected NYU's The Research Alliance for new New York City Schools to complete a multi-year evaluation study and a contract is expected to be signed by January 2013. The total commitment under the agreement is \$1,000,000 through 2018.

**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.