

**iMENTOR, INC.**  
**Audited Financial Statements**  
**June 30, 2013**

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
iMentor, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of iMentor, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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.

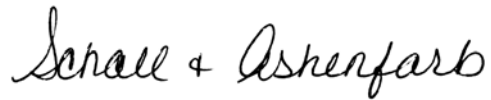
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of iMentor, Inc. as of June 30, 2013, and the changes in net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited iMentor, Inc.'s 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Schall & Ashenfarb  
Certified Public Accountants, LLC

January 14, 2014

**iMENTOR, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2013**  
(With comparative totals for June 30, 2012)

	<u>6/30/13</u>	<u>6/30/12</u>
<b>Assets</b>		
Cash and cash equivalents (Note 2c and d)	\$5,810,569	\$3,600,979
Contributions and grants receivable (Note 3)	12,386,153	1,772,344
Prepaid expenses	157,379	172,041
Investments (Notes 2f and 4)	4,401,615	4,354,380
Fixed assets (net of accumulated depreciation) (Notes 2g and 5)	752,834	735,457
Security deposits	<u>206,250</u>	<u>216,882</u>
 Total assets	 <u><u>\$23,714,800</u></u>	 <u><u>\$10,852,083</u></u>
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$476,869	\$372,382
Deferred revenue	32,744	133,386
Deferred rent	<u>392,097</u>	<u>364,708</u>
 Total liabilities	 <u>901,710</u>	 <u>870,476</u>
 Net assets: (Note 2b)		
Unrestricted	4,008,305	3,331,138
Temporarily restricted (Note 6)	14,903,785	2,749,469
Permanently restricted (Note 7)	<u>3,901,000</u>	<u>3,901,000</u>
 Total net assets	 <u>22,813,090</u>	 <u>9,981,607</u>
 Total liabilities and net assets	 <u><u>\$23,714,800</u></u>	 <u><u>\$10,852,083</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, 2013**  
(With comparative totals for the year ended June 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 6/30/13</u>	<u>Total 6/30/12</u>
Public support and revenue:					
Contributions:					
Board contributions	\$461,403			\$461,403	\$402,265
Other individual contributions	415,375			415,375	251,185
Foundation contributions	360,824	\$2,370,000		2,730,824	2,039,748
Corporate contributions	304,226	729,852		1,034,078	534,365
Growth campaign contributions		14,558,000		14,558,000	0
Government grants	515,994			515,994	30,481
In-kind contributions (Note 2j)	455,000			455,000	327,994
Special events	1,628,153			1,628,153	1,526,738
iMi member fees	364,262			364,262	232,374
NYC program fees	248,350			248,350	110,155
Rental income (Note 8)				0	136,608
Other income	44,420			44,420	53,474
Investment income (Notes 2f and 4)	100,828	7,945		108,773	43,614
Net assets released from restriction (Note 6)	5,511,481	(5,511,481)		0	0
<b>Total public support and revenue</b>	<b>10,410,316</b>	<b>12,154,316</b>	<b>0</b>	<b>22,564,632</b>	<b>5,689,001</b>
Expenses:					
Program services	6,844,121			6,844,121	5,577,699
Management and general	1,571,826			1,571,826	1,612,795
Fundraising	1,317,202			1,317,202	775,872
<b>Total expenses</b>	<b>9,733,149</b>	<b>0</b>	<b>0</b>	<b>9,733,149</b>	<b>7,966,366</b>
Change in net assets	677,167	12,154,316	0	12,831,483	(2,277,365)
Net assets - beginning of year	3,331,138	2,749,469	3,901,000	9,981,607	12,258,972
Net assets - end of year	<u>\$4,008,305</u>	<u>\$14,903,785</u>	<u>\$3,901,000</u>	<u>\$22,813,090</u>	<u>\$9,981,607</u>

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**iMENTOR, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**  
(With comparative totals for the year ended June 30, 2012)

	Program Services			Supporting Services			Total 6/30/13	Total 6/30/12
	NYC	iMi	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$2,413,926	\$1,032,953	\$3,446,879	\$842,913	\$754,867	\$1,597,780	\$5,044,659	\$4,299,473
Payroll taxes and benefits	530,756	200,904	731,660	155,264	122,122	277,386	1,009,046	764,621
Occupancy	428,870	131,690	560,560	119,089	108,721	227,810	788,370	880,599
Insurance	54,766	16,781	71,547	21,446	8,703	30,149	101,696	91,351
Professional fees (including in-kind of \$339,136)	189,545	228,911	418,456	214,790	50,715	265,505	683,961	552,476
Talent development	57,069	10,482	67,551	82,851	61,316	144,167	211,718	80,358
Office supplies and expenses	20,774	5,317	26,091	6,154	7,252	13,406	39,497	42,853
Advertising and marketing (including in-kind of \$60,000)	87,745	7,564	95,309	3,884	4,464	8,348	103,657	11,109
Dues & subscriptions	4,480	1,246	5,726	8,892	5,003	13,895	19,621	11,514
Equipment lease and rental	7,353	2,113	9,466	2,089	1,789	3,878	13,344	10,053
Other general and administrative expenses (including in-kind of \$55,864)	51,373	5,037	56,410	11,544	76,995	88,539	144,949	37,287
Software and equipment	19,756	5,719	25,475	4,796	2,893	7,689	33,164	9,633
Photography & video	7,048	5,235	12,283		200	200	12,483	0
Research and evaluation	231,247	1,825	233,072			0	233,072	148,563
IT/Telecommunications	88,897	28,561	117,458	21,541	18,696	40,237	157,695	136,838
Platform hosting	14,854	44,561	59,415			0	59,415	63,575
Travel and conferences	18,673	61,389	80,062	7,264	8,718	15,982	96,044	53,388
Mentor/mentee events	206,257		206,257			0	206,257	111,592
Background investigations	185,199	978	186,177		460	460	186,637	176,533
Bad debt expense			0	302		302	302	39,586
Depreciation	331,503	102,764	434,267	69,007	84,288	153,295	587,562	444,964
<b>Total</b>	<b>\$4,950,091</b>	<b>\$1,894,030</b>	<b>\$6,844,121</b>	<b>\$1,571,826</b>	<b>\$1,317,202</b>	<b>\$2,889,028</b>	<b>\$9,733,149</b>	<b>\$7,966,366</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, 2013**  
(With comparative totals for the year ended June 30, 2012)

	6/30/13	6/30/12
Cash flows from operating activities:		
Change in net assets	\$12,831,483	(\$2,277,365)
Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities:		
Depreciation	587,562	444,964
Unrealized gain on investments	(40,363)	(27,723)
Realized loss/(gain) on investments	(3,791)	91,116
(Increase)/decrease in assets:		
Contributions and grants receivable	(10,613,809)	1,013,514
Prepaid expenses	14,662	(17,353)
Security deposits	10,632	100,300
Increase/(decrease) in liabilities:		
Accounts payable and accrued expenses	104,487	(31,408)
Deferred revenue	(100,642)	(85,708)
Deferred rent	27,389	28,062
Total adjustments	(10,013,873)	1,515,764
Net cash flows provided/(used for) by operating activities	2,817,610	(761,601)
Cash flows from investing activities:		
Outlays for fixed assets	(604,939)	(584,438)
Purchase of investments	(328,323)	(885,957)
Proceeds from sale of investments	325,242	837,652
Net cash flows used for investing activities	(608,020)	(632,743)
Net increase/(decrease) in cash and cash equivalents	2,209,590	(1,394,344)
Cash and cash equivalents - beginning of year	3,600,979	4,995,323
Cash and cash equivalents - end of year	\$5,810,569	\$3,600,979

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, 2013**

**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 which is the process of recognizing revenue and expenses when earned or incurred rather than when received or paid. All significant receivables, payables, and other liabilities have been reflected.

b. Basis of Presentation

iMentor, Inc. reports 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 \$5,525,221. However iMentor has not experienced any losses due to the failure of any financial institution.

e. Contributions and Grants 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, 2013 amounted to \$225,000.

Government grants are reviewed to determine if they have traits more similar to contributions or exchange transactions. All government grants have been determined to be exchange transactions and are recognized as income when earned. The difference between cash received and amounts recognized as income are reflected as grants receivable or refundable advances.

f. Investments

Securities are reflected at fair 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 to 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 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, \$339,136 of in-kind professional fees and \$60,000 of in-kind marketing have been recognized.  
  
In addition, during the year ended June 30, 2013 iMentor received donated event space. The estimated fair market value of this space, totaling \$55,864, has been recorded as an in-kind donation and related expense on the statement of activities.
  
- k. Promotional Costs  
Promotional costs are expensed as incurred.
  
- l. 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.
  
- m. Expense Allocation  
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.
  
- n. 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, 2012 from which the summarized information was derived.
  
- o. Accounting for Uncertainty of Income Taxes  
iMentor does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2010 and later are subject to examination by applicable taxing authorities.

p. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through January 14, 2014, 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, 2014	\$4,230,365
Year ended June 30, 2015	2,861,000
Year ended June 30, 2016	2,861,000
Year ended June 30, 2017	1,361,000
Year ended June 30, 2018	605,500
Greater than five years	<u>620,882</u>
	12,539,747
Less: discount	<u>(153,594)</u>
Total	<u>\$12,386,153</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 as of June 30, 2013 is as follows:

U.S. Treasuries Money Fund	\$827,759
Mutual Funds:	
Diversified Bond Fund	1,548,070
Exchange Traded Funds:	
Commodity Index Fund	<u>2,025,786</u>
	<u>\$4,401,615</u>

Investment income for the year ended June 30, 2013 is as follows:

Interest & dividends	\$100,828
Realized loss on sale of investments	(32,418)
Unrealized gains	<u>40,363</u>
	<u>\$108,773</u>

All investments are specifically designated towards the endowment.

**Note 5 - Fixed Assets**

Fixed assets for the year-ended June 30, 2013 consist of:

Website and computer software	\$2,487,714
Computers and equipment	261,496
Leasehold improvements	278,351
Furniture and fixtures	<u>46,116</u>
Fixed assets - cost	3,073,677
Less: accumulated depreciation and amortization	<u>(2,320,843)</u>
Fixed assets - net	<u>\$752,834</u>

**Note 6 - Temporarily Restricted Net Assets**

Net assets were released from restriction due to the following:

Satisfaction of program purposes:	
Growth Campaign	\$2,894,675
Social Innovation Fund	1,687,054
Other programs	<u>904,752</u>
Total program restrictions	5,486,481
Satisfaction of time restrictions	<u>25,000</u>
Total	<u>\$5,511,481</u>

At June 30, 2013, temporarily restricted net assets were available for:

Programs:	
Growth Campaign	\$13,102,200
Social Innovation Fund	441,434
Other programs	<u>650,488</u>
Total programs	14,194,122
Endowment	88,782
Specific time periods	<u>620,881</u>
	<u>\$14,903,785</u>

**Note 7 - Permanently Restricted Net Assets/Endowment Funds**

iMentor has an endowment fund that was 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*

iMentor follows New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which the board of directors has interpreted to require certain amounts 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, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$318,857	\$80,837	\$3,901,000	\$4,300,694
Interest and dividend income	92,976	0	0	92,976
Unrealized gains	0	40,363	0	40,363
Realized losses on investments	<u>0</u>	<u>(32,418)</u>	<u>0</u>	<u>(32,418)</u>
Endowment net assets, end of year	<u>\$411,833</u>	<u>\$88,782</u>	<u>\$3,901,000</u>	<u>\$4,401,615</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, 2013.

**Note 8 - Commitments and Contingencies**

iMentor, Inc. has two separate non-cancelable leases for office spaces in New York City that expire at various dates in 2015 and 2019. The minimum annual commitments for lease payments are as follows:

For the year ended:	June 30, 2014	\$739,599
	June 30, 2015	784,041
	June 30, 2016	737,077
	June 30, 2017	751,819
	June 30, 2018	766,855
Thereafter		<u>1,113,098</u>
Total		<u>\$4,892,489</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. The total commitment under the agreement is \$967,812 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.