

# BYTE BACK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

KOSITZKA, WICKS & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS



## Table of Contents

### Independent Auditor's Report

### Financial Statements

Statements of Financial Position.....	1
Statements of Activities.....	2 - 3
Statements of Functional Expenses.....	4 - 5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7 - 17



KOSITZKA, WICKS & COMPANY  
*Certified Public Accountants*

### **Independent Auditor's Report**

To the Board of Directors  
**Byte Back, Inc.**

We have audited the accompanying financial statements of **Byte Back, Inc.** (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinion***

In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of **Byte Back, Inc.** as of June 30, 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.

*Kositzka, Wicks and Company*

Alexandria, Virginia  
November 30, 2016

# Byte Back, Inc.

## Statements of Financial Position June 30,

2016

2015

### Assets

#### Current assets

Cash and cash equivalents <sup>3</sup>	\$ 456,612	\$ 342,755
Accounts, grants and contracts receivable <sup>5</sup>	363,672	447,504
Pledges receivable, net of long term portion <sup>4</sup>	52,010	31,514
Prepaid expenses	12,391	7,963
	<u>884,685</u>	<u>829,736</u>

#### Property and equipment

Land	23,345	23,345
Property and equipment, net <sup>6</sup>	229,067	272,646
	<u>252,412</u>	<u>295,991</u>

#### Other assets

Deposits	6,975	7,475
Pledges receivable, long term portion <sup>4</sup>	72,168	117,029
	<u>79,143</u>	<u>124,504</u>

#### **Total assets**

<u>\$ 1,216,240</u>	<u>\$ 1,250,231</u>
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### Liabilities and net assets

#### Current liabilities

Accounts payable and accrued expenses	\$ 88,308	\$ 123,828
Deferred revenue	5,000	-
Mortgage loan payable, current portion <sup>9</sup>	20,891	20,668
	<u>114,199</u>	<u>144,496</u>

#### Mortgage loan payable, noncurrent portion <sup>9</sup>

128,938	149,034
<u>243,137</u>	<u>293,530</u>

#### **Total liabilities**

#### Net assets

Unrestricted, board designated reserve fund <sup>12</sup>	255,276	253,591
Unrestricted, other	480,748	476,615
Temporarily restricted <sup>8</sup>	237,079	226,495
	<u>973,103</u>	<u>956,701</u>

#### **Total liabilities and net assets**

<u>\$ 1,216,240</u>	<u>\$ 1,250,231</u>
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The accompanying independent auditor's report and notes are an integral part of the financial statements.

## Byte Back, Inc.

### Statements of Activities for the years ended June 30, 2016 and 2015 (summarized)

	2016		2015
	Unrestricted	Temporarily restricted	
<b>Support and revenue</b>			
Contributions and grants			
Individual contributions	\$ 69,589	\$ 21,120	\$ 90,709
Corporate and foundation grants	255,225	232,250	487,475
Government grants	55,253	25,000	80,253
Other	724	-	724
Government contract revenue			
Computer classes	1,141,484	-	1,141,484
Program-related sales and fees	12,449	-	12,449
Donations from special event, net of expenses (\$11,029)	12,521	-	12,521
Investment and interest income	4,021	-	4,021
	<u>1,551,266</u>	<u>278,370</u>	<u>1,829,636</u>
In-kind contributions <sup>7</sup>			
Donated services - at fair value	185,953	-	185,953
Donated materials - at fair value	11,994	-	11,994
	<u>197,947</u>	<u>-</u>	<u>197,947</u>
Net assets released from restrictions <sup>8</sup>	<u>267,786</u>	<u>(267,786)</u>	<u>-</u>
<b>Total support and revenue</b>	<u>2,016,999</u>	<u>10,584</u>	<u>2,027,583</u>
<b>Expenses</b>			
Program services	1,510,584	-	1,510,584
General and administrative	288,392	-	288,392
Fundraising	212,205	-	212,205
<b>Total expenses</b>	<u>2,011,181</u>	<u>-</u>	<u>2,011,181</u>
<b>Change in net assets</b>	5,818	10,584	16,402
<b>Net assets, beginning of year</b>	<u>730,206</u>	<u>226,495</u>	<u>956,701</u>
<b>Net assets, end of year</b>	<u>\$ 736,024</u>	<u>\$ 237,079</u>	<u>\$ 973,103</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

## Byte Back, Inc.

### Statement of Activities for the year ended June 30, 2015

	Unrestricted	Temporarily restricted	Total
<b>Support and revenue</b>			
Contributions and grants			
Individual contributions	\$ 125,228	\$ -	\$ 125,228
Corporate and foundation grants	354,888	167,825	522,713
Government grants	116,644	25,000	141,644
Other	2,775	-	2,775
Government contract revenue			
Computer classes	1,134,794	-	1,134,794
Program-related sales and fees	19,399	-	19,399
Donations from special event, net of expenses (\$14,874)	289	23,525	23,814
Investment and interest income	2,430	-	2,430
	<u>1,756,447</u>	<u>216,350</u>	<u>1,972,797</u>
In-kind contributions <sup>7</sup>			
Donated services - at fair value	345,407	-	345,407
Donated materials - at fair value	18,074	-	18,074
	<u>363,481</u>	<u>-</u>	<u>363,481</u>
Net assets released from restrictions <sup>8</sup>	249,891	(249,891)	-
<b>Total support and revenue</b>	<u>2,369,819</u>	<u>(33,541)</u>	<u>2,336,278</u>
<b>Expenses</b>			
Program services	1,803,726	-	1,803,726
General and administrative	326,186	-	326,186
Fundraising	135,454	-	135,454
<b>Total expenses</b>	<u>2,265,366</u>	<u>-</u>	<u>2,265,366</u>
<b>Change in net assets</b>	104,453	(33,541)	70,912
<b>Net assets, beginning of year</b>	625,753	260,036	885,789
<b>Net assets, end of year</b>	<u>\$ 730,206</u>	<u>\$ 226,495</u>	<u>\$ 956,701</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

## Byte Back, Inc.

### Statement of Functional Expenses for the year ended June 30, 2016

	Program services	General and administrative	Fundraising	Total
Personnel costs	\$ 710,963	\$ 177,027	\$ 152,472	\$ 1,040,462
Payroll taxes	57,557	15,528	12,360	85,445
Employee benefits	44,834	12,095	9,628	66,557
Occupancy and utilities	143,162	3,827	2,050	149,039
Maintenance and repairs	11,201	1,421	678	13,300
Professional services	129,663	39,118	19,087	187,868
Professional development	4,027	1,612	30	5,669
Evaluation costs	312	-	-	312
Student events	4,772	-	-	4,772
Depreciation	41,717	4,619	2,561	48,897
Equipment and repairs	-	-	-	-
Insurance	8,353	9,118	1,371	18,842
Telephone and internet	29,193	2,579	1,893	33,665
Supplies	32,819	1,494	706	35,019
Meetings	2,493	5,754	1,668	9,915
Postage and shipping	428	658	1,340	2,426
Printing and copying	11,320	1,635	861	13,816
Marketing	3,957	350	2,152	6,459
Transportation	6,826	452	368	7,646
Dues and memberships	99	1,340	2,548	3,987
Books, subscriptions, and references	-	1,363	-	1,363
Americorp stipends and training	64,628	20	-	64,648
Volunteer costs	4,161	67	84	4,312
Bad debt expense	-	1,458	-	1,458
Fees and other	152	6,857	348	7,357
Total operating expenses	<u>1,312,637</u>	<u>288,392</u>	<u>212,205</u>	<u>1,813,234</u>
In-kind expenses				
Donated services - at fair value	185,953	-	-	185,953
Donated materials - at fair value	11,994	-	-	11,994
	<u>197,947</u>	<u>-</u>	<u>-</u>	<u>197,947</u>
Total expenses	<u>\$ 1,510,584</u>	<u>\$ 288,392</u>	<u>\$ 212,205</u>	<u>\$ 2,011,181</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

## Byte Back, Inc.

### Statement of Functional Expenses for the year ended June 30, 2015

	Program services	General and administrative	Fundraising	Total
Personnel costs	\$ 704,382	\$ 172,681	\$ 66,839	\$ 943,902
Payroll taxes	64,609	15,172	5,646	85,427
Employee benefits	62,925	13,918	5,521	82,364
Occupancy and utilities	123,949	5,110	735	129,794
Maintenance and repairs	17,680	1,852	217	19,749
Professional services	128,473	59,509	27,895	215,877
Professional development	4,296	732	920	5,948
Evaluation costs	7,751	1,248	238	9,237
Student events	11,806	-	49	11,855
Depreciation	44,057	5,122	1,084	50,263
Equipment and repairs	493	282	-	775
Insurance	11,580	5,128	463	17,171
Telephone and internet	24,693	3,465	547	28,705
Supplies	69,017	1,254	259	70,530
Meetings	5,680	5,649	1,057	12,386
Postage and shipping	28	1,584	1,997	3,609
Printing and copying	17,500	2,375	1,115	20,990
Marketing	10,152	20	14,287	24,459
Transportation	8,984	308	165	9,457
Dues and memberships	315	1,778	2,623	4,716
Books, subscriptions, and references	1,119	-	641	1,760
Americorp stipends and training	129,302	121	-	129,423
Volunteer costs	11,547	-	161	11,708
Bad debt expense	-	(4,588)	175	(4,413)
Loss on disposal of asset	9,500	-	-	9,500
Fees and other	-	6,519	174	6,693
Total operating expenses	<u>1,469,838</u>	<u>299,239</u>	<u>132,808</u>	<u>1,901,885</u>
In-kind expenses				
Donated services - at fair value	315,814	26,947	2,646	345,407
Donated materials - at fair value	18,074	-	-	18,074
	<u>333,888</u>	<u>26,947</u>	<u>2,646</u>	<u>363,481</u>
Total expenses	<u>\$ 1,803,726</u>	<u>\$ 326,186</u>	<u>\$ 135,454</u>	<u>\$ 2,265,366</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.



# Byte Back, Inc.

## Statements of Cash Flows for the years ended June 30,

	2016	2015
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 16,402	\$ 70,912
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	48,897	50,263
Loss on disposal of equipment	-	9,500
Donated investments	-	(19,955)
Unrealized (gain) loss on investments	-	(1,065)
(Increase) decrease in operating assets		
Accounts, grants and contracts receivable	83,832	(168,283)
Pledges receivable, net	24,365	16,664
Prepaid expenses	(4,428)	(619)
Deposits	500	(500)
Increase in operating liabilities		
Accounts payable and accrued expenses	(35,520)	61,400
Deferred revenue	5,000	-
Net cash provided by operating activities	<u>139,048</u>	<u>18,317</u>
<b>Cash flows from investing activities</b>		
Sales of investments	-	21,020
Purchase of property and equipment	<u>(5,318)</u>	<u>(75,666)</u>
Net cash used in investing activities	(5,318)	(54,646)
<b>Cash flows from financing activities</b>		
Proceeds from line of credit <sup>10</sup>	280,000	378,000
Repayment of line of credit <sup>10</sup>	(280,000)	(378,000)
Repayment of mortgage loan	<u>(19,873)</u>	<u>(18,183)</u>
Net cash used in investing activities	<u>(19,873)</u>	<u>(18,183)</u>
<b>Net change in cash and cash equivalents</b>	113,857	(54,512)
<b>Cash and cash equivalents, beginning of year</b>	<u>342,755</u>	<u>397,267</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 456,612</u>	<u>\$ 342,755</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ 10,910</u>	<u>\$ 14,736</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying independent auditor's report and notes are an integral part of the financial statements.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

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### 1. Organization and purpose

Founded in 1997, Byte Back's mission is to improve economic opportunity by providing free computer training and career preparation to low-income DC residents. Byte Back offers a wide range of computer training, from basic computer literacy to Information Technology (IT) certification courses; as well as job readiness skills and job placement assistance. In fiscal year 2016, Byte Back had 854 enrollments in free technology courses at nearly 20 locations in Washington, DC. Byte Back also helped 53 students move into living wage careers. These 53 students saw an average \$28,000 increase in their annual incomes after coming to Byte Back. The organization has begun building a profile as a national thought leader in digital inclusion and building career pathways out of poverty. Byte Back's Executive Director was a featured speaker at numerous regional and national conferences in 2016, and in March 2016 Howard University Television honored Byte Back as an American Graduate Champion for the organization's work to ensure young adults in DC are on a path to success.

Byte Back's revenue includes contributions and grants, government contract revenue, program-related sales and fees, special event revenue, investment income and donated services and materials.

### 2. Significant accounting policies

#### Basis of accounting

The financial statements of Byte Back are prepared using the accrual method of accounting. In accordance with this method of accounting, revenue is recognized in the period in which it is earned and expenses are recognized in the period in which they are incurred. All revenue and expenses which are applicable to future periods have been presented as deferred revenue or prepaid expenses on the accompanying statements of financial position.

#### Financial statement presentation

Byte Back is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2016 and 2015, Byte Back had no permanently restricted net assets.

#### Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

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### 2. Summary of significant accounting policies (continued)

#### Cash and cash equivalents

For purposes of the statements of cash flows, Byte Back considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. It is Byte Back's policy not to classify certificates of deposit as cash and cash equivalents. Federal Deposit Insurance Corporation (FDIC) insurance is \$250,000 per depositor, per insured bank. As of June 30, 2016 and 2015 the uninsured bank balances amounted to \$5,276 and \$3,591, respectively. Management does not believe cash is at risk even though it may exceed FDIC insurance limits at times.

#### Allowance for uncollectible grants, contracts and pledges receivable

Byte Back considers the need for an allowance for uncollectible grants, contracts and pledges receivable based on a review of balances and historical collection experience and analysis of individual accounts. Management has provided for potential uncollectible amounts through an allowance of \$26,765 and \$31,327 for pledges receivable as of June 30, 2016 and 2015, respectively.

#### Investments

Investments are measured at fair value in the statement of financial position based on publicly available market data obtained from services independent of Byte Back. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

#### Inventory

Through its First Time Technology program, which ceased operations in June 2016, Byte Back maintained an inventory of computer parts and recycled computers for its graduates. Management recorded the inventory balance internally. The balance was not reflected here, as it would not be material to the financial statements as a whole.

#### Property and equipment

Property and equipment is recorded at cost if purchased and at fair value if donated. Byte back capitalizes all expenditures for property and equipment in excess of \$500 with a useful life in excess of one year or more. Depreciation is computed using the straight-line method.

#### Compensated absences

Employees of Byte Back are entitled to paid vacation depending on job classification, length of service and other factors. As of June 30, 2016 and 2015, estimated compensated absences of \$11,203 and \$9,940, respectively, are included in accounts payable and accrued expenses in the accompanying statements of financial position.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

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### 2. Summary of significant accounting policies (continued)

#### Contributions and promises to give

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Byte Back reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. 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 statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. It is the policy of Byte Back to include the long term portion of pledges receivable as temporarily restricted net assets.

#### Revenue recognition

Grant awards received by Byte Back are evaluated on an individual basis, based on grant specifications to determine appropriate recognition as either a contribution or cost reimbursement grant. Grants recorded as contributions are recognized as revenue in the year awarded. For contracts and grants determined to be cost reimbursement awards, revenue is recognized as costs are incurred and funds received in excess of costs incurred are recorded as deferred revenue.

#### In-kind contributions

A substantial number of volunteers donate time to Byte Back's program services. Certain donated services are reflected in the financial statements because the services require specialized skills as defined by U.S. generally accepted accounting principles and are an integral part of Byte Back's purpose. Donated property is reflected as a revenue and asset at the fair market value of the property on date of donation. In-kind support is detailed in Note 7 of these financial statements.

#### Functional classification of expenses

The costs of providing the programs and services are summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and services benefited. Expenses have been allocated between the program services, general and administrative, and fundraising functions based on labor hours of employees and use of office space.

#### Fair value of financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, grants and contracts receivable, pledges receivable, prepaid expenses and deposits. Financial liabilities with carrying values approximating fair value include accounts payable, accrued expenses and deferred revenue. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

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### 2. Summary of significant accounting policies (continued)

#### Income taxes

Byte Back, Inc. is exempt from federal income tax as a nonprofit organization described in Section 501(c) (3) of the Internal Revenue Code and is classified as an organization other than a private foundation. The Organization did not have a liability for unrelated business income for the years ended June 30, 2016 and 2015.

The material jurisdictions subject to potential examination by taxing authorities include the U.S. and the District of Columbia. Management does not believe that the ultimate outcome of any future examinations of open tax years will have a material impact on the Organization's results of operations. Tax years that remain subject to examination are for the fiscal years ended June 30, 2013 through 2016.

### 3. Cash and cash equivalents

Cash and cash equivalents for June 30, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Checking	\$ 201,336	\$ 89,163
Board designated reserve fund - money market	255,276	253,591
	<u>\$ 456,612</u>	<u>\$ 342,754</u>
Outstanding checks	\$ 21,668	\$ 10,976
Deposits in transit	(5,002)	(16,335)
Bank balance	<u>\$ 473,278</u>	<u>\$ 337,395</u>

### 4. Pledges receivable

During the years ended June 30, 2016 and 2015, Byte Back held a special event designed for donors to pledge amounts collectible over the next five years. Pledges have been discounted at 2% to record the present value of the pledges to be received as of June 30, 2016 and 2015.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

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### 4. Pledges receivable (continued)

The following is a summary of pledges receivable as of June 30,

	<u>2016</u>	<u>2015</u>
Pledges due in		
Less than one year	\$ 52,010	\$ 31,514
One to five years	108,651	159,750
	<u>160,661</u>	<u>191,264</u>
Allowance for doubtful pledges	(31,777)	(31,327)
Present value discount	(4,706)	(11,394)
	<u>124,178</u>	<u>148,543</u>
Less: current portion	(52,010)	(31,514)
Long-term portion	<u>\$ 72,168</u>	<u>\$ 117,029</u>

### 5. Accounts, grants and contracts receivable

Grants and contracts receivable consisted of the following as of June 30,

	<u>2016</u>	<u>2015</u>
Individuals	\$ 1,050	\$ -
Insurance proceeds receivable	-	50,000
Grants receivable		
Foundations	70,537	105,100
Government grants and contracts		
Serve DC/Corporation for National and Community Service	14,324	32,035
D.C. Public Library	18,252	33,300
Department of Human Services	75,024	154,500
D. C. Office of the Chief Technology Officer	73,320	33,033
D.C. Office on Latino Affairs	-	10,000
D.C. Office of the State Superintendent for Education	111,165	29,536
	<u>\$ 363,672</u>	<u>\$ 447,504</u>

Grants receivable include amounts due from donors and contracts receivable include amounts due from federal and District of Columbia sources for computer training services. All amounts are considered fully collectible by management and are due within one year.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

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### 6. Property and equipment

Property and equipment at June 30, 2016 and 2015 consisted of the following:

	2016			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciation expense</u>	<u>Useful life</u>
Building	\$ 234,316	\$ 24,423	\$ 6,008	39 years
Building renovations	35,310	17,115	2,354	15 years
Furniture and equipment	310,562	334,940	33,114	3-7 years
Vehicles	37,107	11,750	7,421	5 years
Total	<u>\$ 617,295</u>	<u>\$ 388,228</u>	<u>\$ 48,897</u>	

  

	2015			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciation expense</u>	<u>Useful life</u>
Building	\$ 234,316	\$ 18,415	\$ 6,008	39 years
Building renovations	35,310	14,761	2,354	15 years
Furniture and equipment	305,244	301,826	37,572	3-7 years
Vehicles	37,107	4,329	4,329	5 years
Total	<u>\$ 611,977</u>	<u>\$ 339,331</u>	<u>\$ 50,263</u>	

### 7. In-kind contributions

Byte Back receives contributions of software, professional services and time from volunteer teachers who provide computer training to participants of the organization's programs. Such contributions are valued at fair market value at the time of receipt. Teacher hours are valued between \$15 and \$20 per hour, depending on the course level taught.

Donated services for the year ended June 30, 2016 include strategic planning services and typing tutorial software development.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

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### 7. In-kind contributions (continued)

Donated services and materials for the years ended June 30, 2016 and 2015 included the following:

	<u>2016</u>	<u>2015</u>
Donated services and labor		
Classroom teachers, including		
Americorps volunteers	\$ 134,073	\$ 268,416
Repairs	-	49,400
Legal services	-	25,234
Other professional services	51,880	2,357
Donated materials and supplies	<u>11,994</u>	<u>18,074</u>
Total	<u>\$ 197,947</u>	<u>\$ 363,481</u>

In-kind materials are recorded as revenue and expensed as incurred and classified as a program services, general and administrative, or fundraising. Donated materials consisted primarily of computers, equipment, and software donated to Byte Back's First Time Technology program during the years ended June 30, 2016 and 2015.

A substantial number of additional volunteers donate time to Byte Back's program services. These donated services are not reflected in the financial statements as the services do not require specialized skills as defined by U.S. generally accepted accounting principles.

See independent auditor's report.



# Byte Back, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

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### 8. Temporarily restricted net assets

Temporarily restricted net assets consisted of the following as of June 30, 2016:

	<u>2015</u>	<u>Additions</u>	<u>Releases</u>	<u>2016</u>
<i>Restricted for future periods</i>				
Cafritz Foundation	\$ 17,500	\$ 35,000	\$ 35,000	\$ 17,500
Meyer Foundation	-	80,000	40,000	40,000
Marriott Foundation	-	60,000	5,000	55,000
Long term pledges receivable	117,029	21,120	65,981	72,168
<i>Restricted for programs</i>				
International Monetary Fund	12,600	5,000	12,600	5,000
Joshua Fund	12,725	26,000	14,059	24,666
Mayor's Office on Latino Affairs	4,331	25,000	22,323	7,008
William S. Abel Foundation	-	21,250	5,513	15,737
Starbucks Memorial Fund	25,000	-	25,000	-
Loughran Foundation	-	5,000	5,000	-
The City Fund	37,310	-	37,310	-
	<u>\$ 226,495</u>	<u>\$ 278,370</u>	<u>\$ 267,786</u>	<u>\$ 237,079</u>

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

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### 8. Temporarily restricted net assets (continued)

Temporarily restricted net assets consisted of the following as of June 30, 2015:

	2014	Additions	Releases	2015
<i>Restricted for future periods</i>				
Cafritz Foundation	\$ -	\$ 17,500	\$ -	\$ 17,500
Harry and Jeanette Weinberg Foundation	30,000	-	30,000	-
Meyer Foundation	50,000	-	50,000	-
Long term pledges receivable	126,869	23,525	33,365	117,029
<i>Restricted for programs</i>				
901 Monroe Development	18,037	-	18,037	-
International Monetary Fund	-	12,600	-	12,600
Joshua Fund	-	12,725	-	12,725
Mayor's Office on Latino Affairs	6,283	25,000	26,952	4,331
National Home Library	1,500	-	1,500	-
United Way	5,000	-	5,000	-
William S. Abel Foundation	21,202	-	21,202	-
Starbucks Memorial Fund	-	25,000	-	25,000
SUPAU Trust	1,145	-	1,145	-
The City Fund	-	100,000	62,690	37,310
	<u>\$ 260,036</u>	<u>\$ 216,350</u>	<u>\$ 249,891</u>	<u>\$ 226,495</u>

### 9. Mortgage loan payable

Byte Back has a mortgage loan secured by land and its office building. In August 2014, the interest rate was reduced from 7.61% to 6.25% and the monthly installment changed from \$2,631 to \$2,503. As of June 30, 2016 and 2015, the principal amount of the mortgage loan payable was \$149,829 and \$169,702, respectively. The full principal balance and all unpaid accrued interest, if any, is due and payable in full on June 26, 2022.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

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### 9. Mortgage loan payable (continued)

The future minimum principal payments on the mortgage loan are as follows as of June 30:

2017	\$	20,891
2018		22,675
2019		24,133
2020		25,686
2021		27,338
Thereafter		29,106
Total	\$	<u>149,829</u>

### 10. Line of credit

Byte Back obtained a line of credit for \$300,000 that was secured by the land and its office building with a 4.75% interest rate. The line of credit matures 12/3/2017.

No amounts were outstanding as of June 30, 2016 and 2015.

### 11. Commitments

Byte Back leases additional office space for operations, classroom locations and for its First Time Technology program. Lease terms are typically one year and are renewed as needed and monthly lease payments range from \$1,075 to \$3,605 per month per property.

Rental expense for the years ended June 30, 2016 and 2015 was \$112,297 and \$86,172, respectively and is included with occupancy and utility expense on the accompanying statements of functional expenses.

Future minimum lease payments are \$61,765 and \$3,605 for the years ending June 30, 2017 and 2018, respectively.

### 12. Board designated net assets

During the fiscal year ended June 30, 2012, Byte Back established an operating reserve fund for board designated net assets. The purpose of the fund is to provide an internal source of resources with a target minimum of six months of average operating costs. The balance in the fund was \$255,276 and \$253,591 as of June 30, 2016 and 2015, respectively.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2016 and 2015

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### 13. Subsequent events

Byte Back assessed events occurring subsequent to June 30, 2016 through November 30, 2016, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

See independent auditor's report.