

BYTE BACK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016



Certified Public Accountants

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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, 2017 and 2016, 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, 2017 and 2016, 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
December 22, 2017

Byte Back, Inc.

Statements of Financial Position June 30,

	2017	2016
Assets		
Current assets		
Cash and cash equivalents ³	\$ 910,424	\$ 456,612
Accounts, grants and contracts receivable ⁵	625,472	363,672
Pledges receivable, net of long-term portion ⁴	44,608	52,010
Prepaid expenses	40,783	12,391
	<u>1,621,287</u>	<u>884,685</u>
Property and equipment		
Land	23,345	23,345
Property and equipment, net ⁷	431,102	229,067
	<u>454,447</u>	<u>252,412</u>
Other assets		
Deposits	79,668	6,975
Pledges receivable, long-term portion ⁴	18,189	72,168
	<u>97,857</u>	<u>79,143</u>
Total assets	<u><u>\$ 2,173,591</u></u>	<u><u>\$ 1,216,240</u></u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 465,599	\$ 88,308
Deposit on sale of building	80,000	-
Deferred revenue	500	5,000
Mortgage loan payable, net of long-term portion ¹⁰	128,632	20,891
	<u>674,731</u>	<u>114,199</u>
Mortgage loan payable, long-term portion ¹⁰	-	128,938
Total liabilities	<u>674,731</u>	<u>243,137</u>
Net assets		
Unrestricted, board-designated reserve fund ¹³	255,786	255,276
Unrestricted, other	526,491	480,748
Temporarily restricted ⁹	716,583	237,079
	<u>1,498,860</u>	<u>973,103</u>
Total liabilities and net assets	<u><u>\$ 2,173,591</u></u>	<u><u>\$ 1,216,240</u></u>

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, 2017 and 2016 (summarized)

	2017			2016
	Unrestricted	Temporarily restricted	Total	
Support and revenue				
Contributions and grants				
Individual contributions	\$ 139,072	\$ 5,000	\$ 144,072	\$ 90,709
Corporate and foundation grants	450,861	792,000	1,242,861	487,475
Government grants	-	35,000	35,000	80,253
Other	691	-	691	724
Government contract revenue				
Computer classes	766,278	-	766,278	1,141,484
Program-related sales and fees	8,422	-	8,422	12,449
Donations from special event	5,000	-	5,000	12,521
Investment loss	(2,246)	-	(2,246)	4,021
Gain from asset disposal	1,322	-	1,322	-
	<u>1,369,400</u>	<u>832,000</u>	<u>2,201,400</u>	<u>1,829,636</u>
In-kind contributions ⁸				
Donated services - at fair value	261,503	-	261,503	185,953
Donated materials - at fair value	50	-	50	11,994
	<u>261,553</u>	<u>-</u>	<u>261,553</u>	<u>197,947</u>
Net assets released from restrictions ⁹	352,496	(352,496)	-	-
Total support and revenue	<u>1,983,449</u>	<u>479,504</u>	<u>2,462,953</u>	<u>2,027,583</u>
Expenses				
Program services	1,364,704	-	1,364,704	1,510,584
General and administrative	359,693	-	359,693	288,392
Fundraising	212,799	-	212,799	212,205
Total expenses	<u>1,937,196</u>	<u>-</u>	<u>1,937,196</u>	<u>2,011,181</u>
Change in net assets	46,253	479,504	525,757	16,402
Net assets, beginning of year	736,024	237,079	973,103	956,701
Net assets, end of year	<u>\$ 782,277</u>	<u>\$ 716,583</u>	<u>\$ 1,498,860</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, 2016

	Unrestricted	Temporarily restricted	Total
Support and revenue			
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 ⁸			
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 ⁹	267,786	(267,786)	-
Total support and revenue	<u>2,016,999</u>	<u>10,584</u>	<u>2,027,583</u>
Expenses			
Program services	1,510,584	-	1,510,584
General and administrative	288,392	-	288,392
Fundraising	212,205	-	212,205
Total expenses	<u>2,011,181</u>	<u>-</u>	<u>2,011,181</u>
Change in net assets	5,818	10,584	16,402
Net assets, beginning of year	730,206	226,495	956,701
Net assets, end of year	<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 Functional Expenses for the year ended June 30, 2017

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Americorp stipends and training	\$ 38,860	\$ 57	\$ -	\$ 38,917
Bad debt expense	-	26,061	-	26,061
Books, subscriptions, and references	284	2,749	4,217	7,250
Depreciation	35,594	3,082	1,898	40,574
Dues and memberships	250	1,100	2,024	3,374
Employee benefits	49,181	7,794	11,458	68,433
Evaluation costs	312	-	-	312
Fees and other	2,800	804	937	4,541
Insurance	9,650	7,104	1,585	18,339
Maintenance and repairs	8,465	1,013	355	9,833
Marketing	2,222	90	2,718	5,030
Meetings	1,553	4,592	1,943	8,088
Occupancy and utilities	86,477	4,547	1,858	92,882
Payroll taxes	47,713	20,268	10,290	78,271
Personnel costs	638,386	183,016	135,150	956,552
Postage and shipping	380	682	727	1,789
Printing and copying	11,709	3,503	2,120	17,332
Professional development	16,089	2,637	925	19,651
Professional services	129,719	35,351	31,092	196,162
Student events	4,023	-	-	4,023
Supplies	32,919	430	422	33,771
Telephone and internet	25,507	3,264	2,261	31,032
Transportation	7,777	2,337	819	10,933
Volunteer costs	2,481	12	-	2,493
Total operating expenses	<u>1,152,351</u>	<u>310,493</u>	<u>212,799</u>	<u>1,675,643</u>
In-kind expenses				
Donated services - at fair value	212,303	49,200	-	261,503
Donated materials - at fair value	50	-	-	50
	<u>212,353</u>	<u>49,200</u>	<u>-</u>	<u>261,553</u>
Total expenses	<u>\$ 1,364,704</u>	<u>\$ 359,693</u>	<u>\$ 212,799</u>	<u>\$ 1,937,196</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

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Americorp stipends and training	\$ 64,628	\$ 20	\$ -	\$ 64,648
Bad debt expense	-	1,458	-	1,458
Books, subscriptions, and references	-	1,363	-	1,363
Depreciation	41,717	4,619	2,561	48,897
Dues and memberships	99	1,340	2,548	3,987
Employee benefits	44,834	12,095	9,628	66,557
Evaluation costs	312	-	-	312
Fees and other	152	6,857	348	7,357
Insurance	8,353	9,118	1,371	18,842
Maintenance and repairs	11,201	1,421	678	13,300
Marketing	3,957	350	2,152	6,459
Meetings	2,493	5,754	1,668	9,915
Occupancy and utilities	143,162	3,827	2,050	149,039
Payroll taxes	57,557	15,528	12,360	85,445
Personnel costs	710,963	177,027	152,472	1,040,462
Postage and shipping	428	658	1,340	2,426
Printing and copying	11,320	1,635	861	13,816
Professional development	4,027	1,612	30	5,669
Professional services	129,663	39,118	19,087	187,868
Student events	4,772	-	-	4,772
Supplies	32,819	1,494	706	35,019
Telephone and internet	29,193	2,579	1,893	33,665
Transportation	6,826	452	368	7,646
Volunteer costs	4,161	67.00	84	4,312
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.

Statements of Cash Flows for the years ended June 30,

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 525,757	\$ 16,402
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	40,574	48,897
Unrealized loss on investments	2,898	-
(Increase) decrease in operating assets		
Accounts, grants and contracts receivable	(261,800)	83,832
Pledges receivable, net	61,381	24,365
Prepaid expenses	(28,392)	(4,428)
Deposits	(72,693)	500
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	377,291	(35,520)
Deposit on sale of building	80,000	-
Deferred revenue	(4,500)	5,000
Net cash provided by operating activities	<u>720,516</u>	<u>139,048</u>
Cash flows from investing activities		
Proceeds from sale of contributed securities	72,793	-
Receipt of contributed securities	(75,691)	-
Proceeds from sale of property and equipment	20,178	-
Purchase of property and equipment	(262,787)	(5,318)
Net cash used in investing activities	<u>(245,507)</u>	<u>(5,318)</u>
Cash flows from financing activities		
Proceeds from line of credit ¹²	-	280,000
Repayment of line of credit ¹²	-	(280,000)
Repayment of mortgage loan	(21,197)	(19,873)
Net cash used in investing activities	<u>(21,197)</u>	<u>(19,873)</u>
Net change in cash and cash equivalents	453,812	113,857
Cash and cash equivalents, beginning of year	456,612	342,755
Cash and cash equivalents, end of year	<u>\$ 910,424</u>	<u>\$ 456,612</u>
Noncash investing activities		
Noncash stock contributions	\$ 75,691	\$ -
Purchase of property and equipment on account	26,077	-
Total noncash investing activities	<u>\$ 101,768</u>	<u>\$ -</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 8,894	\$ 10,910
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, 2017 and 2016

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 Washington, DC area 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 2017, Byte Back had 751 enrollments in free technology courses at 31 locations in Washington, DC and Maryland. Byte Back helped 60 students get hired. These 60 students saw an average \$24,000 increase in their annual incomes after coming to Byte Back. This year, the organization grew its national profile as a thought leader in digital inclusion and diversity in the tech sector. Byte Back's Executive Director and other staff were featured speakers at more than a dozen regional and national nonprofit conferences and events in 2017. In addition, the organization won \$360,000, the biggest prize, at WeWork's Creator Awards pitch competition.

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 that 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, 2017 and 2016, 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, 2017 and 2016

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. 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 \$26,061 and \$31,777 for pledges receivable as of June 30, 2017 and 2016, 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 statements 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 in the accompanying statements of financial position, 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, 2017 and 2016, estimated compensated absences of \$12,671 and \$11,203, 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, 2017 and 2016

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 9 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, accounts, 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, 2017 and 2016

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, 2017 and 2016.

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, 2014 through 2017.

3. Cash and cash equivalents

Cash and cash equivalents for June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Checking	\$ 617,209	\$ 201,336
Money market	37,429	-
Board-designated reserve fund - money market	255,786	255,276
	<u>\$ 910,424</u>	<u>\$ 456,612</u>
Outstanding checks	\$ 34,238	\$ 21,668
Deposits in transit	(2,685)	(5,002)
Bank balance	<u>\$ 941,977</u>	<u>\$ 473,278</u>
Covered by the Federal Deposit Insurance Corporation (FDIC)	<u>\$ 500,000</u>	<u>\$ 468,002</u>

4. Pledges receivable

During the years ended June 30, 2017 and 2016, Byte Back held a special event designed for donors to pledge amounts collectible over the next five years. Pledges have been discounted at two percent to record the present value of the pledges to be received as of June 30, 2017 and 2016.

See independent auditor's report.

Byte Back, Inc.

Notes to Financial Statements June 30, 2017 and 2016

4. Pledges receivable (continued)

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

	<u>2017</u>	<u>2016</u>
Pledges due in		
Less than one year	\$ 44,608	\$ 52,010
One to five years	78,110	108,651
	<u>122,718</u>	<u>160,661</u>
Allowance for doubtful pledges	(57,838)	(31,777)
Present value discount	(2,083)	(4,706)
	<u>62,797</u>	<u>124,178</u>
Less: current portion	(44,608)	(52,010)
Long-term portion	<u>\$ 18,189</u>	<u>\$ 72,168</u>

5. Accounts, grants and contracts receivable

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

	<u>2017</u>	<u>2016</u>
Individuals	\$ -	\$ 1,050
Occupancy allowance receivable	262,925	-
Grants receivable		
Corporate	1,000	-
Foundations	167,500	70,537
Government grants and contracts		
D.C. Office of the Chief Technology Officer	40,824	73,320
D.C. Office of the State Superintendent for Education	-	111,165
D.C. Public Library	52,488	18,252
Department of Human Services	91,856	75,024
Serve DC/Corporation for National and Community Service	8,879	14,324
	<u>\$ 625,472</u>	<u>\$ 363,672</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 Note 8 for additional explanation of the occupancy allowance receivable.

See independent auditor's report.

Byte Back, Inc.

Notes to Financial Statements June 30, 2017 and 2016

6. Investments

During the year ended June 30, 2017, Byte Back received donated investments in the amount of \$75,691. Of these donated securities, all were sold and the remaining were held as cash with Scottrade.

Investment loss consisted of the following for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Interest	\$ 516	\$ 3,802
Dividends	136	219
Unrealized loss on investments	(2,898)	-
	<u>\$ (2,246)</u>	<u>\$ 4,021</u>

7. Property and equipment

Property and equipment consisted of the following at June 30, 2017:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciation expense</u>	<u>Useful life</u>
Building	\$ 234,316	\$ 30,431	\$ 6,008	39 years
Building renovations	35,310	19,469	2,354	15 years
Leasehold improvements	88,438	-	-	15 years
Furniture and equipment	358,182	235,244	25,409	3 - 7 years
Vehicles	-	-	6,803	5 years
Total	<u>\$ 716,246</u>	<u>\$ 285,144</u>	<u>\$ 40,574</u>	

During the year ended June 30, 2017, Byte Back signed a new lease for office space beginning in fiscal year 2018, due to the sale of the property acting as Byte Back's headquarters subsequent to year-end. See Note 15 for details regarding the sale of the building and related land subsequent to year-end. Building renovations were performed and furniture was purchased during fiscal year 2017. The landlord agreed to pay for a substantial portion of the expenses to renovate the new office space. There is a receivable at year-end for the occupancy allowance in connection with the renovation of the new office space.

See independent auditor's report.

Byte Back, Inc.

Notes to Financial Statements June 30, 2017 and 2016

7. Property and equipment (continued)

Property and equipment consisted of the following at June 30, 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>	

8. In-kind contributions

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

Donated services for the years ended June 30, 2017 and 2016 included advertising services, teacher hours, legal services, office space, strategic planning services, and other professional services. Donated materials consisted of student supplies during the years ended June 30, 2017 and 2016.

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.

Donated services and materials for the years ended June 30, 2017 and 2016 included the following:

	<u>2017</u>	<u>2016</u>
Donated services and labor		
Advertising services	\$ 77,773	\$ -
Classroom teachers, including		
Americorps volunteers	82,320	134,073
Office space	49,200	-
Strategic planning services	15,000	29,595
Other professional services	37,210	22,285
Donated materials and supplies	50	11,994
Total	<u>\$ 261,553</u>	<u>\$ 197,947</u>

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Byte Back, Inc.

Notes to Financial Statements June 30, 2017 and 2016

9. Temporarily restricted net assets

Temporarily restricted net assets consisted of the following as of June 30, 2017 and 2016:

	2016	Additions	Releases	2017
<i>Restricted for future periods</i>				
Cafritz Foundation	\$ 17,500	\$ 35,000	\$ 35,000	\$ 17,500
Marriott Foundation	55,000	60,000	60,000	55,000
Many Hands	-	37,000	3,084	33,916
Meyer Foundation	40,000	-	40,000	-
Long-term pledges receivable	72,168	5,000	58,979	18,189
<i>Restricted for programs</i>				
GWW - Community Foundation	-	200,000	1,092	198,908
International Monetary Fund	5,000	-	5,000	-
Joshua Fund	24,666	-	24,666	-
Mayor's Office on Latino Affairs	7,008	35,000	36,745	5,263
NCTA	-	100,000	60,276	39,724
WeWork	-	360,000	11,917	348,083
William S. Abel Foundation	15,737	-	15,737	-
	<u>\$ 237,079</u>	<u>\$ 832,000</u>	<u>\$ 352,496</u>	<u>\$ 716,583</u>
	2015	Additions	Releases	2016
<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>

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Byte Back, Inc.

Notes to Financial Statements June 30, 2017 and 2016

10. Mortgage loan payable

Byte Back has a mortgage loan secured by land and its office building with an interest rate of 6.25 percent and a monthly payment of \$2,503. As of June 30, 2017 and 2016, the principal amount of the mortgage loan payable was \$128,632 and \$149,829, respectively. The full principal balance and all unpaid accrued interest, if any, is due and payable in full on June 26, 2022.

The entire balance of the mortgage loan payable was classified as current due to the sale of the property subsequent to year-end. The mortgage was paid off on July 28, 2017. A deposit of \$80,000 is held at year-end towards the sale of the building.

11. 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 percent interest rate. The line of credit matures December 3, 2017. No amounts were outstanding as of June 30, 2017 and 2016. The line of credit was closed during the year ended June 30, 2017.

A new line of credit for \$300,000 was obtained on June 29, 2017. The interest rate on the line of credit is the prime rate plus 1.5 percent. No amounts were outstanding as of June 30, 2017.

12. Commitments

In May 2017, Byte Back signed a seven-year lease for operations and classroom space with base monthly rent of \$23,347, increasing by 2.5 percent per year. The lease also requires a deposit of \$70,043 to be held by the Organization. Future minimum lease payments are as follows as of June 30:

2018	\$	122,365
2019		287,205
2020		294,365
2021		301,712
2022		309,245
Thereafter		641,838
Total		<u>\$ 1,956,730</u>

Byte Back leased office space for operations and classroom locations from July 2016 to June 2017. Lease terms were typically one year and are renewed as needed. Monthly lease payments ranged from \$1,075 to \$3,605 per month during the years ended June 30, 2017 and 2016.

Rental expense for the years ended June 30, 2017 and 2016 was \$62,215 and \$112,297, respectively, and is included with occupancy and utility expense on the accompanying statements of functional expenses.

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Byte Back, Inc.

Notes to Financial Statements June 30, 2017 and 2016

13. Board-designated net assets

The purpose of the operating reserve fund for board-designated net assets 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 \$255,786 and \$255,276 as of June 30, 2017 and 2016, respectively.

14. Subsequent events

Byte Back assessed events occurring subsequent to June 30, 2017 through December 22, 2017, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements.

On July 28, 2017 Byte Back sold the office building and paid off the mortgage loan payable. Byte Back received \$644,584 in proceeds, net of selling expenses and paying off the mortgage secured by the property.

No other events have occurred that would require adjustment to or additional disclosure in the financial statements.

See independent auditor's report.