

BYTE BACK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

KOSITZKA, WICKS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



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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 corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, 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, 2015 and 2014, 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 15, 2015

Byte Back, Inc.

Statements of Financial Position June 30,

2015

2014

Assets

Current assets

Cash and cash equivalents ³	\$ 342,755	\$ 397,267
Grants and contracts receivable ⁵	447,504	279,221
Pledges receivable, net of long term portion ⁴	31,514	38,338
Prepaid expenses	7,963	7,344
	<u>829,736</u>	<u>722,170</u>

Property and equipment

Land	23,345	23,345
Property and equipment, net ⁶	<u>272,646</u>	<u>256,743</u>
	295,991	280,088

Other assets

Deposits	7,475	6,975
Pledges receivable, long term portion ⁴	117,029	126,869
Total assets	<u>\$ 1,250,231</u>	<u>\$ 1,136,102</u>

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 123,828	\$ 62,428
Mortgage loan payable, current portion ⁹	20,668	17,695
	<u>144,496</u>	<u>80,123</u>

Mortgage loan payable, noncurrent portion ⁹

Total liabilities	<u>149,034</u>	<u>170,190</u>
	293,530	250,313

Net assets

Unrestricted, board designated reserve fund ¹²	253,591	250,007
Unrestricted, other	476,615	375,746
Temporarily restricted ⁸	226,495	260,036
	<u>956,701</u>	<u>885,789</u>
Total liabilities and net assets	<u>\$ 1,250,231</u>	<u>\$ 1,136,102</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, 2015 and 2014 (summarized)

	2015			2014
	Unrestricted	Temporarily restricted	Total	
Support and revenue				
Contributions and grants				
Individual contributions	\$ 125,228	\$ -	\$ 125,228	\$ 80,764
Corporate and foundation grants	354,888	167,825	522,713	509,101
Government grants	116,644	25,000	141,644	132,916
Other	2,775	-	2,775	110
Government contract revenue				
Computer classes	1,134,794	-	1,134,794	1,190,900
Program-related sales and fees	19,399	-	19,399	13,920
Donations from special event, net of expenses (\$10,806)	289	23,525	23,814	53,554
Investment and interest income	2,430	-	2,430	157
	<u>1,756,447</u>	<u>216,350</u>	<u>1,972,797</u>	<u>1,981,422</u>
In-kind contributions ⁷				
Donated services - at fair value	345,407	-	345,407	371,980
Donated materials - at fair value	18,074	-	18,074	100,936
	<u>363,481</u>	<u>-</u>	<u>363,481</u>	<u>472,916</u>
Net assets released from restrictions ⁸	<u>249,891</u>	<u>(249,891)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,369,819</u>	<u>(33,541)</u>	<u>2,336,278</u>	<u>2,454,338</u>
Expenses				
Program services	1,803,726	-	1,803,726	1,801,760
General and administrative	326,186	-	326,186	250,931
Fundraising	135,454	-	135,454	113,809
Total expenses	<u>2,265,366</u>	<u>-</u>	<u>2,265,366</u>	<u>2,166,500</u>
Change in net assets	<u>104,453</u>	<u>(33,541)</u>	<u>70,912</u>	<u>287,838</u>
Net assets, beginning of year	<u>625,753</u>	<u>260,036</u>	<u>885,789</u>	<u>597,951</u>
Net assets, end of year	<u>\$ 730,206</u>	<u>\$ 226,495</u>	<u>\$ 956,701</u>	<u>\$ 885,789</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, 2014

	Unrestricted	Temporarily restricted	Total
Support and revenue			
Contributions and grants			
Individual contributions	\$ 80,764	\$ -	\$ 80,764
Corporate and foundation grants	364,601	144,500	509,101
Government grants	132,916	-	132,916
Other	110	-	110
Government contract revenue			
Computer classes	1,190,900	-	1,190,900
Program-related sales and fees	13,920	-	13,920
Donations from special event, net of expenses (\$14,874)	17,125	36,429	53,554
Investment and interest income	157	-	157
	<u>1,800,493</u>	<u>180,929</u>	<u>1,981,422</u>
 In-kind contributions ⁷			
Donated services - at fair value	371,980	-	371,980
Donated materials - at fair value	100,936	-	100,936
	<u>472,916</u>	<u>-</u>	<u>472,916</u>
 Net assets released from restrictions ⁸	180,155	(180,155)	-
Total support and revenue	<u>2,453,564</u>	<u>774</u>	<u>2,454,338</u>
 Expenses			
Program services	1,801,760	-	1,801,760
General and administrative	250,931	-	250,931
Fundraising	113,809	-	113,809
Total expenses	<u>2,166,500</u>	<u>-</u>	<u>2,166,500</u>
 Change in net assets	287,064	774	287,838
Net assets, beginning of year	338,689	259,262	597,951
Net assets, end of year	<u>\$ 625,753</u>	<u>\$ 260,036</u>	<u>\$ 885,789</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

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
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.

Statement of Functional Expenses for the year ended June 30, 2014

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 568,765	\$ 147,170	\$ 50,735	\$ 766,670
Payroll taxes	50,771	21,446	3,827	76,044
Employee benefits	67,563	5,208	5,508	78,279
Occupancy and utilities	106,313	7,476	494	114,283
Maintenance and repairs	14,840	-	156	14,996
Professional services	85,970	39,072	24,456	149,498
Student certifications	39,503	451	83	40,037
Depreciation	40,843	1,199	167	42,209
Equipment and repairs	20,887	28	17	20,932
Insurance	9,985	3,358	216	13,559
Telephone and internet	20,711	3,586	149	24,446
Supplies	40,539	2,647	839	44,025
Meetings	7,858	1,726	2,865	12,449
Postage and shipping	482	1,423	2,586	4,491
Printing and copying	17,575	1,010	5,811	24,396
Marketing	18,200	450	1,596	20,246
Staff development and travel	51,228	2,369	12,477	66,074
Dues and subscriptions	3,209	2,043	1,070	6,322
Americorp stipends and training	171,226	83	525	171,834
Allowance for uncollectible pledges	-	4,834	-	4,834
Fees and other	-	5,262	38	5,300
Total operating expenses	<u>1,336,468</u>	<u>250,841</u>	<u>113,615</u>	<u>1,700,924</u>
In-kind expenses				
Donated services - at fair value	371,696	90	194	371,980
Donated materials - at fair value	93,596	-	-	93,596
	<u>465,292</u>	<u>90</u>	<u>194</u>	<u>465,576</u>
Total expenses	<u>\$ 1,801,760</u>	<u>\$ 250,931</u>	<u>\$ 113,809</u>	<u>\$ 2,166,500</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,

2015**2014****Cash flows from operating activities**

Change in net assets	\$ 70,912	\$ 287,838
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	50,263	42,209
Loss on disposal of equipment	9,500	-
Donated equipment	-	(7,340)
Donated investments	(19,955)	-
Unrealized (gain) loss on investments	(1,065)	951
(Increase) decrease in operating assets		
Grants and contracts receivable	(168,283)	(49,993)
Pledges receivable (net)	16,664	11,430
Prepaid expenses	(619)	(624)
Deposits	(500)	(3,500)
Increase in operating liabilities		
Accounts payable and accrued expenses	61,400	14,385
Net cash provided by operating activities	<u>18,317</u>	<u>295,356</u>

Cash flows from investing activities

Sales of investments	21,020	40,224
Purchase of property and equipment	<u>(75,666)</u>	<u>(18,400)</u>
Net cash provided (used) by investing activities	<u>(54,646)</u>	<u>21,824</u>

Cash flows from financing activities

Proceeds from line of credit	378,000	342,000
Repayment of line of credit	(378,000)	(342,000)
Repayment of mortgage loan	<u>(18,183)</u>	<u>(16,488)</u>
Net cash used by investing activities	<u>(18,183)</u>	<u>(16,488)</u>

Net change in cash and cash equivalents**Cash and cash equivalents, beginning of year****Cash and cash equivalents, end of year**

	(54,512)	300,692
	<u>397,267</u>	<u>96,575</u>
	<u>\$ 342,755</u>	<u>\$ 397,267</u>

Supplemental disclosure of cash flow information

Cash paid for interest	<u>\$ 14,736</u>	<u>\$ 16,935</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, 2015 and 2014

1. Organization and purpose

Founded in 1997, Byte Back, Inc.'s (Byte Back) mission is to improve economic opportunity for low-income residents of the Washington, DC area by providing computer training and employment readiness skills. 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. Most instructors are volunteers. Low-income students receive free instruction and a free refurbished computer upon graduation. During fiscal year 2015, Byte Back had over 1,247 enrollments in classes and workshops held at 18 locations in the Washington DC area. Byte Back opened a new location, the Technology Academy, greatly expanding the depth and breadth of programs leading to industry-recognized IT certifications. The average hourly wage of certification students who obtained employment was \$15.25 for fiscal year 2015. Byte Back was one of five finalists and won Honorable Mention for the Washington Post Award for Excellence in Nonprofit Management in both 2010 and 2012 and was selected for inclusion in the 2010-2011 and 2014-2015 Catalogue for Philanthropy.

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, 2015 and 2014, 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, 2015 and 2014

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, 2015 the uninsured bank balance amounted to \$3,591. As of June 30, 2014, there was no uninsured bank balance.

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. Management has provided for potential uncollectible amounts through an allowance of \$31,327 and \$34,808 for pledges receivable as of June 30, 2015 and 2014, 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, Byte Back maintains an inventory of computer parts and recycled computers for its graduates. Management records the inventory balance internally. The balance is not reflected here, as it would not be material to these financial statements.

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, 2015 and 2014, estimated compensated absences of \$9,940 and \$12,093, 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, 2015 and 2014

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 grants determined to be cost reimbursement awards, grant 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, deposits and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses. 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, 2015 and 2014

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, 2015 and 2014.

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 by the IRS are for the fiscal years ended June 30, 2012 through 2015.

Reclassifications

Certain amounts reported in prior years are reclassified to conform to the current year presentation.

3. Cash and cash equivalents

Cash and cash equivalents for June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Checking	\$ 89,163	\$ 147,260
Board designated - money market	253,591	250,007
	<u>\$ 342,754</u>	<u>\$ 397,267</u>
Outstanding checks	\$ 10,976	\$ 9,684
Deposits in transit	(16,335)	-
Bank balance	<u>\$ 337,395</u>	<u>\$ 406,951</u>
Covered by the Federal Deposit Insurance Corporation (FDIC)	<u>\$ 333,642</u>	<u>\$ 252,500</u>

See independent auditor's report.

Byte Back, Inc.

Notes to Financial Statements June 30, 2015 and 2014

4. Pledges receivable

During the years ended June 30, 2015 and 2014, 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, 2015 and 2014. The following is a summary of pledges receivable as of June 30,

	<u>2015</u>	<u>2014</u>
Pledges due in		
Less than one year	\$ 31,514	\$ 38,338
One to five years	159,750	174,179
	<u>191,264</u>	<u>212,517</u>
Allowance for doubtful pledges	(31,327)	(34,808)
Present value discount	(11,394)	(12,502)
	<u>148,543</u>	<u>165,207</u>
Less: current portion	(31,514)	(38,338)
Long-term portion	<u>\$ 117,029</u>	<u>\$ 126,869</u>

5. Grants and contracts receivable

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

	<u>2015</u>	<u>2014</u>
Insurance proceeds receivable	\$ 50,000	\$ -
Grants receivable		
Foundations	105,100	103,984
Government grants and contracts		
Serve DC/Corporation for National and Community Service	32,035	26,024
D.C. Public Library	33,300	38,431
D.C. Department of Employment Services	-	20,674
Department of Human Services	154,500	
D. C. Office of the Chief Technology Officer	33,033	-
D.C. Office on Latino Affairs	10,000	12,500
D.C. Office of the State Superintendent for Education	29,536	77,608
	<u>\$ 447,504</u>	<u>\$ 279,221</u>

See independent auditor's report.

Byte Back, Inc.

Notes to Financial Statements June 30, 2015 and 2014

5. Grants and contracts receivable (continued)

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.

6. Property and equipment

Property and equipment at June 30, 2015 and 2014 consisted of the following:

	2015			
	Cost	Accumulated depreciation	Depreciation expense	Useful life
Building	\$ 234,316	\$ 96,940	\$ 6,008	39 years
Building renovations	35,310	14,761	2,354	15 years
Furniture and equipment	305,244	223,301	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>	

	2014			
	Cost	Accumulated depreciation	Depreciation expense	Useful life
Building	\$ 234,316	\$ 90,932	\$ 6,008	39 years
Building renovations	35,310	12,407	2,354	15 years
Furniture and equipment	279,393	188,937	33,847	3-7 years
Total	<u>\$ 549,019</u>	<u>\$ 292,276</u>	<u>\$ 42,209</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 \$60 per hour, depending on the course level taught.

Donated services for the year ended June 30, 2015 include strategic planning services, temporary services and legal fees. Donated services for the year ended June 30, 2014 include strategic planning services and temporary services.

See independent auditor's report.

Byte Back, Inc.

Notes to Financial Statements June 30, 2015 and 2014

7. In-kind contributions (continued)

Donated services and materials for the years ended June 30, 2015 and 2014 included the following:

	<u>2015</u>	<u>2014</u>
Donated services and labor		
Classroom teachers, including		
Americorps volunteers	\$ 268,416	\$ 365,722
Repairs	49,400	-
Legal services	25,234	-
Other professional services	2,357	6,258
Donated assets	-	7,340
Donated materials and supplies	18,074	93,596
Total	<u>\$ 363,481</u>	<u>\$ 472,916</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 year ended June 30, 2015. Donated materials consisted primarily of furniture for Byte Back's Technology Academy location and computers donated to Byte Back's First Time Technology program during the year ended June 30, 2014.

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, 2015 and 2014

8. Temporarily restricted net assets

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>

See independent auditor's report.

Byte Back, Inc.

Notes to Financial Statements June 30, 2015 and 2014

8. Temporarily restricted net assets (continued)

Temporarily restricted net assets consisted of the following as of June 30, 2014:

	2013	Additions	Releases	2014
<i>Restricted for future periods</i>				
Cafritz Foundation	\$ 16,250	\$ -	\$ 16,250	\$ -
Comcast Foundation	7,500	-	7,500	-
AARP Foundation	38,545	-	38,545	-
Share Fund	10,000	-	10,000	-
Jones Foundation	17,143	-	17,143	-
United Way	10,000	-	10,000	-
Harry and Jeanette Weinberg Foundation	-	30,000	-	30,000
Meyer Foundation	-	50,000	-	50,000
Long term pledges receivable	138,427	36,429	47,987	126,869
<i>Restricted for programs</i>				
901 Monroe Development	18,037	-	-	18,037
National Home Library	-	1,500	-	1,500
United Way	-	10,000	5,000	5,000
William S. Abel Foundation	-	25,000	3,798	21,202
SUPAU Trust	-	3,000	1,855	1,145
Mayor's Office on Latino Affairs	3,360	25,000	22,077	6,283
	<u>\$ 259,262</u>	<u>\$ 180,929</u>	<u>\$ 180,155</u>	<u>\$ 260,036</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, 2015 and 2014, the principal amount of the mortgage loan payable was \$169,702 and \$187,885, respectively. The full principal balance and all unpaid accrued interest, if any, is due and payable in full on June 26, 2022.

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Byte Back, Inc.

Notes to Financial Statements June 30, 2015 and 2014

9. Mortgage loan payable (continued)

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

2016	\$	20,668
2017		21,508
2018		22,712
2019		24,172
2020		25,727
Thereafter		54,915
Total	\$	<u>169,702</u>

10. Line of credit

In January 2012, Byte Back obtained a line of credit for \$100,000 that was secured by the land and its office building with a 4.75% interest rate.

In August 2014, the line of credit was increased to \$300,000, with a maturity date of August 6, 2015. Interest is applied at the annual rate of 4.75% and payments are required monthly. No amounts were outstanding as of June 30, 2015 and 2014.

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 \$975 to \$3,605 per month per property.

Rental expense for the years ended June 30, 2015 and 2014 was \$86,173 and \$67,361, respectively and is included with occupancy and utility expense on the accompanying statements of functional expenses.

Future minimum lease payments are \$78,033 and \$9,069 for the years ending June 30, 2016 and 2017, 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 \$253,591 and \$250,007 as of June 30, 2015 and 2014, respectively.

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Byte Back, Inc.

Notes to Financial Statements June 30, 2015 and 2014

13. Reclassification

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported change in net assets.

14. Subsequent events

Byte Back assessed events occurring subsequent to June 30, 2015 through December 15, 2015, 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.