

BYTE BACK, INC.

FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, 2013 and 2012, 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, 2013 and 2012, 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
January 17, 2014

Byte Back, Inc.

Statements of Financial Position June 30,

2013

2012

Assets

Current assets

Cash and cash equivalents	\$ 96,575	\$ 50,142
Grants and contracts receivable	229,228	234,295
Pledges receivable, net of long term portion	38,210	-
Investments	41,175	-
Prepaid expenses	6,720	5,678
	<u>411,908</u>	<u>290,115</u>

Property and equipment

Land	23,345	23,345
Property and equipment, net	273,212	274,155
	<u>296,557</u>	<u>297,500</u>

Other assets

Deposits	3,475	1,500
Pledges receivable, long term portion	138,427	-
Total assets	<u>\$ 850,367</u>	<u>\$ 589,115</u>

Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 48,043	\$ 42,577
Mortgage loan payable, current portion	16,375	15,163
	<u>64,418</u>	<u>57,740</u>

Mortgage loan payable, noncurrent portion

	<u>187,998</u>	<u>204,373</u>
Total liabilities	<u>252,416</u>	<u>262,113</u>

Net assets

Unrestricted, board designated reserve fund	78,021	37,499
Unrestricted, other	260,668	40,521
Temporarily restricted	259,262	248,982
	<u>597,951</u>	<u>327,002</u>

Total liabilities and net assets	<u>\$ 850,367</u>	<u>\$ 589,115</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, 2013 and 2012 (summarized)

	2013			2012
	Unrestricted	Temporarily restricted	Total	
Support and revenue				
Contributions and grants	\$ 434,055	\$ 265,000	\$ 699,055	\$ 855,278
Contract revenue - computer classes	660,878	-	660,878	418,871
Donations from special event, net of expenses	90,832	138,427	229,259	-
Special event, net of expenses	-	-	-	15,960
Investment and interest income	983	-	983	74
	<u>1,186,748</u>	<u>403,427</u>	<u>1,590,175</u>	<u>1,290,183</u>
In-kind contributions				
Donated services - at fair value	471,841	-	471,841	462,800
Donated materials - at fair value	44,999	-	44,999	51,767
	<u>516,840</u>	<u>-</u>	<u>516,840</u>	<u>514,567</u>
Net assets released from restrictions	<u>393,147</u>	<u>(393,147)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,096,735</u>	<u>10,280</u>	<u>2,107,015</u>	<u>1,804,750</u>
Expenses				
Program services	1,407,442	-	1,407,442	1,302,912
General and administrative	284,004	-	284,004	270,232
Fundraising	144,620	-	144,620	44,887
Total expenses	<u>1,836,066</u>	<u>-</u>	<u>1,836,066</u>	<u>1,618,031</u>
Change in net assets	260,669	10,280	270,949	186,719
Net assets, beginning of year	<u>78,020</u>	<u>248,982</u>	<u>327,002</u>	<u>140,283</u>
Net assets, end of year	<u>\$ 338,689</u>	<u>\$ 259,262</u>	<u>\$ 597,951</u>	<u>\$ 327,002</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, 2012

	Unrestricted	Temporarily restricted	Total
Support and revenue			
Contributions and grants	\$ 442,420	\$ 412,858	\$ 855,278
Contract revenue - computer classes	418,871	-	418,871
Special event, net of expenses	15,960	-	15,960
Interest income	74	-	74
	<u>877,325</u>	<u>412,858</u>	<u>1,290,183</u>
 In-kind contributions			
Donated services - at fair value	462,800	-	462,800
Donated materials - at fair value	51,767	-	51,767
	<u>514,567</u>	<u>-</u>	<u>514,567</u>
 Net assets released from restrictions	266,677	(266,677)	-
Total support and revenue	<u>1,658,569</u>	<u>146,181</u>	<u>1,804,750</u>
 Expenses			
Program services	1,302,912	-	1,302,912
General and administrative	270,232	-	270,232
Fundraising	44,887	-	44,887
Total expenses	<u>1,618,031</u>	<u>-</u>	<u>1,618,031</u>
 Change in net assets	40,538	146,181	186,719
Net assets, beginning of year	37,482	102,801	140,283
Net assets, end of year	<u>\$ 78,020</u>	<u>\$ 248,982</u>	<u>\$ 327,002</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, 2013

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 322,146	\$ 125,995	\$ 50,249	\$ 498,390
Payroll taxes	45,009	14,164	5,457	64,630
Employee benefits	29,021	7,977	3,889	40,887
Occupancy	63,189	9,178	541	72,908
Maintenance and repairs	22,754	2,580	419	25,753
Professional services	93,340	43,012	35,786	172,138
Program expenses	23,098	1,064	92	24,254
Depreciation	35,634	1,338	167	37,139
Equipment and repairs	23,448	424	41	23,913
Insurance	1,920	5,794	33	7,747
Telephone and internet	14,809	1,136	283	16,228
Supplies	22,744	2,702	2,327	27,773
Meetings	3,615	3,133	8,378	15,126
Postage and shipping	280	1,443	1,049	2,772
Printing and copying	15,932	1,407	5,846	23,185
Marketing	12,060	250	9,809	22,119
Staff development and travel	16,006	963	16,827	33,796
Dues and subscriptions	106	2,213	1,213	3,532
Volunteer training and other	189,167	1,933	563	191,663
Allowance for uncollectible pledges	-	29,974	-	29,974
Fees	-	2,736	64	2,800
Total operating expenses	<u>934,278</u>	<u>259,416</u>	<u>143,033</u>	<u>1,336,727</u>
In-kind expenses				
Donated services - at fair value	445,844	24,410	1,587	471,841
Donated materials - at fair value	27,320	178	-	27,498
	<u>473,164</u>	<u>24,588</u>	<u>1,587</u>	<u>499,339</u>
Total expenses	<u>\$ 1,407,442</u>	<u>\$ 284,004</u>	<u>\$ 144,620</u>	<u>\$ 1,836,066</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, 2012

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 284,878	\$ 116,399	\$ 12,330	\$ 413,607
Payroll taxes	39,929	16,203	1,736	57,868
Employee benefits	29,290	11,635	1,273	42,198
Occupancy	47,661	5,840	588	54,089
Maintenance and repairs	12,423	2,337	316	15,076
Professional services	110,240	44,430	13,866	168,536
Volunteer fees and stipends	149,484	3,109	-	152,593
Program expenses	30,407	5,861	-	36,268
Depreciation	25,109	1,920	750	27,779
Equipment and repairs	21,990	-	-	21,990
Insurance	6,270	1,340	153	7,763
Telephone and internet	10,557	2,059	258	12,874
Supplies	25,767	452	1,751	27,970
Meetings	3,099	5,272	9.00	8,380
Postage and shipping	292	896	4,240	5,428
Printing and copying	23,479	911	3,333	27,723
Marketing	10,842	-	2,163	13,005
Staff development and travel	18,970	7,699	218	26,887
Dues and subscriptions	4,648	1,468	1,087	7,203
Volunteer training and other	9,905	716	16	10,637
Loss on disposal of asset	-	1,509	-	1,509
Fees	43	3,680	104	3,827
Total operating expenses	<u>865,283</u>	<u>233,736</u>	<u>44,191</u>	<u>1,143,210</u>
In-kind expenses				
Donated services - at fair value	425,608	36,496	696	462,800
Donated materials - at fair value	12,021	-	-	12,021
	<u>437,629</u>	<u>36,496</u>	<u>696</u>	<u>474,821</u>
Total expenses	<u>\$ 1,302,912</u>	<u>\$ 270,232</u>	<u>\$ 44,887</u>	<u>\$ 1,618,031</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,

2013**2012****Cash flows from operating activities**

Change in net assets	\$ 270,949	\$ 186,719
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	37,139	27,779
Donated equipment	(17,501)	(39,746)
Donated investments	(40,224)	-
Unrealized gain on investments	(951)	-
Loss on disposal of assets	-	1,509
(Increase) decrease in operating assets		
Grants and contracts receivable	5,067	(112,264)
Pledges receivable	(176,637)	-
Prepaid expenses	(1,042)	(4,535)
Promotional items	-	7,245
Deposits	(1,975)	(1,500)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	5,466	18,120
Grants payable	-	(10,280)
Net cash provided by operating activities	<u>80,290</u>	<u>73,047</u>

Cash flows from investing activities

Purchase of property and equipment	<u>(18,694)</u>	<u>(41,023)</u>
Net cash used by investing activities	(18,694)	(41,023)

Cash flows from financing activities

Proceeds from line of credit	338,000	180,000
Repayment of line of credit	(338,000)	(180,000)
Repayment of mortgage loan	<u>(15,163)</u>	<u>(13,996)</u>
Net cash used by investing activities	(15,163)	(13,996)

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

	46,433	18,028
	<u>50,142</u>	<u>32,114</u>
	<u>\$ 96,575</u>	<u>\$ 50,142</u>

Supplemental disclosure of cash flow information

Cash paid for interest	<u>\$ 18,672</u>	<u>\$ 18,374</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, 2013 and 2012

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. Instructors are volunteers. Low-income students receive free instruction and a free refurbished computer upon graduation. During fiscal year 2013, Byte Back had over 1,500 enrollments from over 1,000 students. Additionally, Byte Back launched two new programs. First Time Technology refurbishes, repairs and recycles computers while providing an opportunity for student interns in its certification classes to receive valuable hands-on experience. Enterprise DC is a partnership with two other nonprofit organizations in which Byte Back provides budding entrepreneurs with the technology skills needed to run a small business in the 21st century. 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 Catalogue for Philanthropy

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, 2013 and 2012, 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.

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.

See independent auditor's report.

Byte Back, Inc.

Notes to Financial Statements June 30, 2013 and 2012

2. Summary of significant accounting policies (continued)

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 \$29,974 for pledges receivable as of June 30, 2013. For the year ended June 30, 2012, grants, contracts and pledges receivable were considered fully collectible and no allowance was established.

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. If recorded, the inventory balance would not be material to the 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, 2013 and 2012, estimated compensated absences of \$13,847 and \$6,233 are included in accounts payable and accrued expenses in the accompanying statements of financial position.

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.

See independent auditor's report.

Byte Back, Inc.

Notes to Financial Statements June 30, 2013 and 2012

2. Summary of significant accounting policies (continued)

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, management and general 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 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.

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, 2013 and 2012.

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 fiscal years 2010 through 2013.

See independent auditor's report.

Byte Back, Inc.

Notes to Financial Statements June 30, 2013 and 2012

3. Cash and cash equivalents

Cash and cash equivalents for June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Checking	\$ 18,554	\$ 12,643
Board designated - money market	78,021	37,499
	<u>\$ 96,575</u>	<u>\$ 50,142</u>
Outstanding checks	\$ 15,667	\$ 19,032
Bank balance	<u>\$ 112,242</u>	<u>\$ 69,174</u>
Covered by the Federal Deposit Insurance Corporation (FDIC)	<u>\$ 112,242</u>	<u>\$ 66,734</u>

4. Pledges receivable

During the year ended June 30, 2013, 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, 2013. The following is a summary of pledges receivable as of June 30,

	<u>2013</u>
Pledges due in	
Less than one year	\$ 38,210
One to five years	183,800
	<u>222,010</u>
Allowance for doubtful pledges	(29,974)
Present value discount	<u>(15,399)</u>
	<u>176,637</u>
Less: current portion	<u>(38,210)</u>
Long-term portion	<u>\$ 138,427</u>

See independent auditor's report.

Byte Back, Inc.

Notes to Financial Statements June 30, 2013 and 2012

5. Grants and contracts receivable

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

	<u>2013</u>	<u>2012</u>
Grants receivable	\$ 91,250	\$ 137,500
Contracts receivable - computer classes	137,978	96,795
	<u>\$ 229,228</u>	<u>\$ 234,295</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.

6. Property and equipment

Property and equipment at June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciation expense</u>	<u>Useful life</u>
Building	\$ 234,316	\$ 84,924	\$ 6,008	39 years
Building renovations	35,310	10,053	2,354	15 years
Furniture and equipment	253,653	155,090	28,777	3-7 years
Total	<u>\$ 523,279</u>	<u>\$ 250,067</u>	<u>\$ 37,139</u>	

	<u>2012</u>			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciation expense</u>	<u>Useful life</u>
Building	\$ 234,316	\$ 78,916	\$ 6,008	39 years
Building renovations	35,310	7,699	2,354	15 years
Furniture and equipment	217,457	126,313	19,417	3-7 years
Total	<u>\$ 487,083</u>	<u>\$ 212,928</u>	<u>\$ 27,779</u>	

See independent auditor's report.

Byte Back, Inc.

Notes to Financial Statements June 30, 2013 and 2012

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, 2013 include strategic planning services, temporary services and legal fees. Donated services for the year ended June 30, 2012 include website design and legal services.

Donated services and materials for the years ended June 30, 2013 and 2012 included the following:

	<u>2013</u>	<u>2012</u>
Donated services and labor		
Classroom teachers, including		
Americorps volunteers	\$ 434,816	\$ 413,817
Other professional services	37,025	48,983
Donated assets	17,501	39,746
Donated materials and supplies	27,498	12,021
Total	<u>\$ 516,840</u>	<u>\$ 514,567</u>

In-kind materials are recorded as revenue and expensed as incurred and classified as a program service, management and general expense, or fundraising.

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, 2013 and 2012

8. Temporarily restricted net assets

Temporarily restricted net assets consist of the following as of June 30, 2013:

	2012	Additions	Releases	2013
<i>Restricted for future periods</i>				
Cafritz Foundation	\$ 17,500	\$ 65,000	\$ 66,250	\$ 16,250
Comcast Foundation	-	20,000	12,500	7,500
Barker Foundation	23,968	-	23,968	-
AARP Foundation	110,531	-	71,986	38,545
Share Fund	2,500	30,000	22,500	10,000
Phillip L. Graham Fund	35,000	-	35,000	-
Jones Foundation	-	40,000	22,857	17,143
Jovid Foundation	5,000	-	5,000	-
J. Willard and Alice Marriott Foundation	27,500	-	27,500	-
United Way	-	20,000	10,000	10,000
Long term pledges receivable	-	138,427	-	138,427
<i>Restricted for programs</i>				
901 Monroe Development	-	25,000	6,963	18,038
Meyer Foundation	25,000	40,000	65,000	-
Mayor's Office on Latino Affairs	1,943	25,000	23,583	3,360
Serve DC	40	-	40	-
	<u>\$ 248,982</u>	<u>\$ 403,427</u>	<u>\$ 393,147</u>	<u>\$ 259,262</u>

Temporarily restricted net assets consist of the following as of June 30, 2012:

	2011	Additions	Releases	2012
<i>Restricted for future periods</i>				
Cafritz Foundation	\$ 17,500	\$ 35,000	\$ 35,000	\$ 17,500
Barker Foundation	26,052	-	2,084	23,968
AARP Foundation	-	160,000	49,469	110,531
Share Fund	-	10,000	7,500	2,500
Phillip L. Graham Fund	-	35,000	-	35,000
Jovid Foundation	-	5,000	-	5,000
J. Willard and Alice Marriott Foundation	-	30,000	2,500	27,500

See independent auditor's report.

Byte Back, Inc.

Notes to Financial Statements June 30, 2013 and 2012

8. Temporarily restricted net assets (continued)

Temporarily restricted net assets consist of the following as of June 30, 2012:

Restricted for programs

Meyer Foundation	\$ 28,500	\$ 30,000	\$ 33,500	\$ 25,000
Neighborhood Investment Fund	14,121	-	14,121	-
Mayor's Office on Latino Affairs	6,348	15,000	19,405	1,943
DC Department of Employment Services: Green Jobs	10,280	-	10,280	-
Serve DC	-	92,858	92,818	40
	<u>\$ 102,801</u>	<u>\$ 412,858</u>	<u>\$ 266,677</u>	<u>\$ 248,982</u>

9. Mortgage loan payable

Byte Back has a mortgage loan secured by land and its office building. As of June 30, 2013 and 2012, the principal amount of the mortgage loan payable was \$204,373 and \$219,536, respectively. The mortgage loan bears interest at 7.61% with a monthly installment of \$2,631. The full principal balance and all unpaid accrued interest, if any, shall be due and payable in full on June 26, 2022.

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

2014	\$ 16,375
2015	17,674
2016	19,064
2017	20,622
2018	22,281
Thereafter	<u>108,356</u>
Total	<u>\$ 204,373</u>

10. Line of credit

For the year ended June 30, 2011, Byte Back had a \$45,000 business line of credit, secured by the land and its office building. In January 2012, this line of credit was closed and a new line of credit for \$100,000 was secured with an initial renewal date of January 2013. The line of credit was subsequently renewed until January 2014. Interest is applied at the annual rate of 4.75% and payments are required monthly. No amounts were outstanding as of June 30, 2013 and 2012.

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Byte Back, Inc.

Notes to Financial Statements June 30, 2013 and 2012

11. Commitments

On September 1, 2011, Byte Back began leasing additional office space in a building near its current office. Rent was \$1,500 with additional charges for utilities, cleaning and use of the conference room. The initial lease period was one year. The lease was renewed and additional space at the location was added. Lease terms include monthly rent of \$2,500 plus utilities with an expiration date of August 31, 2013. The lease was again renewed for twelve months at a rate of \$2,575 per month plus monthly utilities.

On January 28, 2013, Byte Back leased additional office space. Lease terms include a twelve month lease expiring January 31, 2014 with monthly payments of \$975.

Rental expense for the years ended June 30, 2013 and 2012 was \$34,174 and \$21,624, respectively and is included with occupancy and maintenance expense on the accompanying Statements of Functional Expenses.

Future minimum lease payments for the years ending June 30, 2014 and 2015 are \$37,575 and \$5,150, respectively.

12. Fair value measurements

Byte Back follows the established hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as Byte Back would use in pricing Byte Back's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of Byte Back are traded. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include equity securities and publicly traded mutual funds that are actively traded on a major exchange or over-the-counter market.

Level 2 – Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Examples include limited partnerships and private equity investments.

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Notes to Financial Statements June 30, 2013 and 2012

12. Fair value measurements (continued)

Assets measured at fair value on a recurring basis are summarized below as of June 30, 2013.

	Level I	Level II	Level III	Total
Corporate Stock				
Costco Wholesale Corp	\$ 2,985	\$ -	\$ -	\$ 2,985
Marriott International Inc.	38,190	-	-	38,190
Total investments, at fair value	<u>\$ 41,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,175</u>

13. First Time Technology

During the year ended June 30, 2013, First Time Computers, a nonprofit organization that recycled computers, terminated its corporate existence and transferred its remaining assets to Byte Back. The activities are now included as a Back Byte program called First Time Technology. The assets included in the transfer included computer parts and refurbishing tools. If recorded, the donation would not have been material to the financial statements.

14. Board designated net assets

During the fiscal year ended June 30, 2012, Byte Back established a 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 \$78,021 and \$37,499 as of June 30, 2013 and 2012, respectively.

15. Subsequent events

Byte Back assessed events occurring subsequent to June 30, 2013 through January 17, 2014, 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.