

# BYTE BACK, INC.

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Kositzka, Wicks and Company*

Alexandria, Virginia  
November 21, 2014

# Byte Back, Inc.

## Statements of Financial Position June 30,

**2014****2013****Assets**

## Current assets

Cash and cash equivalents <sup>3</sup>	\$ 397,267	\$ 96,575
Grants and contracts receivable <sup>5</sup>	279,221	229,228
Pledges receivable, net of long term portion <sup>4</sup>	38,338	38,210
Investments	-	41,175
Prepaid expenses	7,344	6,720
	<u>722,170</u>	<u>411,908</u>

## Property and equipment

Land	23,345	23,345
Property and equipment, net <sup>6</sup>	<u>256,743</u>	<u>273,212</u>
	280,088	296,557

## Other assets

Deposits	6,975	3,475
Pledges receivable, long term portion <sup>4</sup>	126,869	138,427

**Total assets**

<u>\$ 1,136,102</u>	<u>\$ 850,367</u>
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**Liabilities and net assets**

## Current liabilities

Accounts payable and accrued expenses	\$ 62,428	\$ 48,043
Mortgage loan payable, current portion <sup>9</sup>	<u>17,695</u>	<u>16,375</u>
	80,123	64,418

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

<u>170,190</u>	<u>187,998</u>	
<b>Total liabilities</b>	<b>250,313</b>	<b>252,416</b>

## Net assets

Unrestricted, board designated reserve fund <sup>14</sup>	250,007	78,021
Unrestricted, other	375,746	260,668
Temporarily restricted <sup>8</sup>	<u>260,036</u>	<u>259,262</u>
	885,789	597,951

**Total liabilities and net assets**

<u>\$ 1,136,102</u>	<u>\$ 850,367</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, 2014 and 2013 (summarized)

	2014			2013
	Unrestricted	Temporarily restricted	Total	
<b>Support and revenue</b>				
Contributions and grants				
Individual contributions	\$ 80,764	\$ -	\$ 80,764	\$ 85,947
Corporate and foundation grants	364,601	144,500	509,101	448,169
Government grants	132,916	-	132,916	162,270
Other	110	-	110	2,669
Government contract revenue				
Computer classes	1,190,900	-	1,190,900	619,645
Program-related sales and fees	13,920	-	13,920	41,233
Donations from special event, net of expenses	17,125	36,429	53,554	229,259
Investment and interest income	157	-	157	983
	<u>1,800,493</u>	<u>180,929</u>	<u>1,981,422</u>	<u>1,590,175</u>
In-kind contributions <sup>7</sup>				
Donated services - at fair value	371,980	-	371,980	471,841
Donated materials - at fair value	100,936	-	100,936	44,999
	<u>472,916</u>	<u>-</u>	<u>472,916</u>	<u>516,840</u>
Net assets released from restrictions <sup>8</sup>	<u>180,155</u>	<u>(180,155)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>2,453,564</u>	<u>774</u>	<u>2,454,338</u>	<u>2,107,015</u>
<b>Expenses</b>				
Program services	1,801,760	-	1,801,760	1,407,442
General and administrative	250,931	-	250,931	284,004
Fundraising	113,809	-	113,809	144,620
<b>Total expenses</b>	<u>2,166,500</u>	<u>-</u>	<u>2,166,500</u>	<u>1,836,066</u>
<b>Change in net assets</b>	287,064	774	287,838	270,949
<b>Net assets, beginning of year</b>	<u>338,689</u>	<u>259,262</u>	<u>597,951</u>	<u>327,002</u>
<b>Net assets, end of year</b>	<u>\$ 625,753</u>	<u>\$ 260,036</u>	<u>\$ 885,789</u>	<u>\$ 597,951</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, 2013

	Unrestricted	Temporarily restricted	Total
<b>Support and revenue</b>			
Contributions and grants			
Individual contributions	\$ 85,947	\$ -	\$ 85,947
Corporate and foundation grants	183,169	265,000	448,169
Government grants	162,270	-	162,270
Other	2,669	-	2,669
Government contract revenue			
Computer classes	619,645	-	619,645
Program-related sales and fees	41,233	-	41,233
Donations from special event, net of expenses	90,832	138,427	229,259
Investment and interest income	983	-	983
	<u>1,186,748</u>	<u>403,427</u>	<u>1,590,175</u>
 In-kind contributions <sup>7</sup>			
Donated services - at fair value	471,841	-	471,841
Donated materials - at fair value	44,999	-	44,999
	<u>516,840</u>	<u>-</u>	<u>516,840</u>
 Net assets released from restrictions <sup>8</sup>	<u>393,147</u>	<u>(393,147)</u>	<u>-</u>
<b>Total support and revenue</b>	<u>2,096,735</u>	<u>10,280</u>	<u>2,107,015</u>
 <b>Expenses</b>			
Program services	1,407,442	-	1,407,442
General and administrative	284,004	-	284,004
Fundraising	144,620	-	144,620
<b>Total expenses</b>	<u>1,836,066</u>	<u>-</u>	<u>1,836,066</u>
 <b>Change in net assets</b>	260,669	10,280	270,949
<b>Net assets, beginning of year</b>	78,020	248,982	327,002
<b>Net assets, end of year</b>	<u>\$ 338,689</u>	<u>\$ 259,262</u>	<u>\$ 597,951</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	52,704	22,262	3,973	78,939
Employee benefits	65,630	4,392	5,362	75,384
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.

### 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 and utilities	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
Student certifications	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
Americorp stipends and training	189,167	1,933	563	191,663
Allowance for uncollectible pledges	-	29,974	-	29,974
Fees and other	-	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.

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

**2014****2013****Cash flows from operating activities**

Change in net assets	\$	287,838	\$	270,949
Adjustments to reconcile change in net assets to net cash provided by operating activities-				
Depreciation		42,209		37,139
Donated equipment		(7,340)		(17,501)
Donated investments		-		(40,224)
Unrealized (gain) loss on investments		951		(951)
(Increase) decrease in operating assets				
Grants and contracts receivable		(49,993)		5,067
Pledges receivable (net)		11,430		(176,637)
Prepaid expenses		(624)		(1,042)
Deposits		(3,500)		(1,975)
Increase (decrease) in operating liabilities				
Accounts payable and accrued expenses		14,385		5,466
Net cash provided by operating activities		<u>295,356</u>		<u>80,291</u>

**Cash flows from investing activities**

Sales of investments		40,224		-
Purchase of property and equipment		(18,400)		(18,695)
Net cash provided (used) by investing activities		<u>21,824</u>		<u>(18,695)</u>

**Cash flows from financing activities**

Proceeds from line of credit		342,000		338,000
Repayment of line of credit		(342,000)		(338,000)
Repayment of mortgage loan		(16,488)		(15,163)
Net cash used by investing activities		<u>(16,488)</u>		<u>(15,163)</u>

**Net increase in cash and cash equivalents**

300,692 46,433

**Cash and cash equivalents, beginning of year**

96,575 50,142

**Cash and cash equivalents, end of year**\$ 397,267 \$ 96,575**Supplemental disclosure of cash flow information**

Cash paid for interest	\$	16,935	\$	18,672
Income taxes paid	\$	-	\$	-

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, 2014 and 2013

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### 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 2014, Byte Back had over 1,500 enrollments in classes and workshops held at 23 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 for FY14 graduates is \$18.96 for certification classes, \$14.79 for Office Track classes and \$11.33 for computer literacy classes. 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.

### 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, 2014 and 2013, 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, 2014 and 2013

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### 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 \$34,808 and \$29,974 for pledges receivable as of June 30, 2014 and 2013, 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, 2014 and 2013, estimated compensated absences of \$12,093 and \$13,847, respectively 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, 2014 and 2013

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### 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 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 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, 2014 and 2013.

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, 2011 through 2014.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2014 and 2013

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

#### 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, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Checking	\$ 147,260	\$ 18,554
Board designated - money market	250,007	78,021
	<u>\$ 397,267</u>	<u>\$ 96,575</u>
Outstanding checks	\$ 9,684	\$ 15,667
Bank balance	<u>\$ 406,951</u>	<u>\$ 112,242</u>
Covered by the Federal Deposit Insurance Corporation (FDIC)	<u>\$ 252,500</u>	<u>\$ 112,242</u>

### 4. Pledges receivable

During the years ended June 30, 2014 and 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, 2014 and 2013. The following is a summary of pledges receivable as of June 30,

	<u>2014</u>	<u>2013</u>
Pledges due in		
Less than one year	\$ 38,338	\$ 38,210
One to five years	174,179	183,800
	<u>212,517</u>	<u>222,010</u>
Allowance for doubtful pledges	(34,808)	(29,974)
Present value discount	<u>(12,502)</u>	<u>(15,399)</u>
	<u>165,207</u>	<u>176,637</u>
Less: current portion	<u>(38,338)</u>	<u>(38,210)</u>
Long-term portion	<u>\$ 126,869</u>	<u>\$ 138,427</u>

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2014 and 2013

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### 5. Grants and contracts receivable

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

	<u>2014</u>	<u>2013</u>
Grants receivable		
Foundations	\$ 103,984	\$ 91,250
Government grants and contracts		
Serve DC/Corporation for National and Community Service	26,024	35,787
D.C. Public Library	38,431	32,698
D.C. Department of Employment Services	20,674	29,333
Department of Labor	-	19,071
D.C. Office on Latino Affairs	12,500	-
D.C. Office of the State Superintendent for Education	77,608	21,089
	<u>\$ 279,221</u>	<u>\$ 229,228</u>

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

See independent auditor's report.

## Byte Back, Inc.

### Notes to Financial Statements June 30, 2014 and 2013

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#### 6. Property and equipment

Property and equipment at June 30, 2014 and 2013 consisted of the following:

	2014			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciation expense</u>	<u>Useful life</u>
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>	

  

	2013			
	<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>	

#### 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, 2014 include strategic planning services and temporary services. Donated services for the year ended June 30, 2013 include strategic planning services, temporary services and legal fees.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2014 and 2013

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

Donated services and materials for the years ended June 30, 2014 and 2013 included the following:

	<u>2014</u>	<u>2013</u>
Donated services and labor		
Classroom teachers, including		
Americorps volunteers	\$ 365,722	\$ 434,816
Other professional services	6,258	37,025
Donated assets	7,340	17,501
Donated materials and supplies	93,596	27,498
Total	<u>\$ 472,916</u>	<u>\$ 516,840</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 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. Donated materials consisted primarily of furniture for Byte Back's First Time Technology location during the year ended June 30, 2013.

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, 2014 and 2013

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### 8. Temporarily restricted net assets

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>

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# Byte Back, Inc.

## Notes to Financial Statements June 30, 2014 and 2013

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

Temporarily restricted net assets consisted 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	18,037
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>

### 9. Mortgage loan payable

Byte Back has a mortgage loan secured by land and its office building. Subsequent to the year ended June 30, 2014, the bank approved a change in terms of the loan. 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, 2014 and 2013, the principal amount of the mortgage loan payable was \$187,885 and \$204,373, 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, 2014 and 2013

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### 9. Mortgage loan payable (continued)

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

2015	\$	17,695
2016		19,064
2017		20,622
2018		22,281
2019		24,052
Thereafter		84,170
Total	\$	<u>187,885</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.

Subsequent to the year ended June 30, 2014, the line of credit was increased to \$300,000, with a maturity date of March 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, 2014 and 2013.

### 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 expenses range from \$975 to \$3,500 per month.

Rental expense for the years ended June 30, 2014 and 2013 was \$67,361 and \$34,174, respectively and is included with occupancy and utility expense on the accompanying statements of functional expenses.

Future minimum lease payments are \$78,945 and \$7,455 for the years ending June 30, 2015 and 2016, respectively.

### 12. Fair value measurements

Byte Back classifies its investment into Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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# Byte Back, Inc.

## Notes to Financial Statements June 30, 2014 and 2013

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### 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>

Investment were sold during the year ended June 30, 2014.

### 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. Byte Back maintained a record of the assets internally and 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 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 \$250,007 and \$78,021 as of June 30, 2014 and 2013, respectively.

### 15. Subsequent events

Byte Back assessed events occurring subsequent to June 30, 2014 through November 21, 2014, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. Except as noted in notes 9 and 10, no events have occurred that would require adjustment to or disclosure in the financial statements.

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