

# BYTE BACK, INC.

FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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.**  
Washington, D.C.

We have audited the accompanying statements of financial position of **Byte Back, Inc.** (a not-for-profit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of **Byte Back, Inc.**'s management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Byte Back, Inc.** as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Kositzka, Wicks and Company*

Alexandria, Virginia  
February 18, 2013

# Byte Back, Inc.

## Statements of Financial Position June 30,

2012

2011

### Assets

#### Current assets

Cash and cash equivalents	\$ 50,142	\$ 32,114
Grant, contracts and pledges receivable	234,295	122,031
Promotional items	-	7,245
Prepaid expenses	5,678	1,143
Total current assets	<u>290,115</u>	<u>162,533</u>

#### Other assets

1,500 -

#### Property and equipment

Land	23,345	23,345
Property and equipment, net	274,155	222,674
	<u>297,500</u>	<u>246,019</u>

### Total assets

\$ 589,115 \$ 408,552

### Liabilities and net assets

#### Current liabilities

Accounts payable and accrued expenses	\$ 42,577	\$ 24,457
Grants payable	-	10,280
Mortgage loan payable - current portion	15,163	13,998
	<u>57,740</u>	<u>48,735</u>

#### Mortgage loan payable - noncurrent portion

204,373 219,534

### Total liabilities

262,113 268,269

#### Net assets

Unrestricted	78,020	37,482
Temporarily restricted	248,982	102,801
	<u>327,002</u>	<u>140,283</u>

### Total liabilities and net assets

\$ 589,115 \$ 408,552

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, 2012 and 2011 summarized

	2012			2011
	Unrestricted	Temporarily Restricted	Total	
<b>Support and revenue</b>				
Contributions and grants	\$ 442,420	\$ 412,858	\$ 855,278	\$ 388,321
Contract revenue - computer classes	418,871	-	418,871	367,115
Special event, net of expenses	15,960	-	15,960	-
Interest income	74	-	74	35
	<u>877,325</u>	<u>412,858</u>	<u>1,290,183</u>	<u>755,471</u>
In-kind contributions				
Donated services - at fair value	462,800	-	462,800	381,364
Donated materials - at fair value	51,767	-	51,767	150,342
	<u>514,567</u>	<u>-</u>	<u>514,567</u>	<u>531,706</u>
Net assets released from restrictions	<u>266,677</u>	<u>(266,677)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>1,658,569</u>	<u>146,181</u>	<u>1,804,750</u>	<u>1,287,177</u>
<b>Expenses</b>				
Program services	1,302,912	-	1,302,912	1,031,705
General and administrative	270,232	-	270,232	198,821
Fundraising	44,887	-	44,887	39,278
<b>Total expenses</b>	<u>1,618,031</u>	<u>-</u>	<u>1,618,031</u>	<u>1,269,804</u>
<b>Change in net assets</b>	40,538	146,181	186,719	17,373
<b>Net assets, beginning of year</b>	<u>37,482</u>	<u>102,801</u>	<u>140,283</u>	<u>122,910</u>
<b>Net assets, end of year</b>	<u>\$ 78,020</u>	<u>\$ 248,982</u>	<u>\$ 327,002</u>	<u>\$ 140,283</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, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and revenue</b>			
Contributions and grants	\$ 238,321	\$ 150,000	\$ 388,321
Contract revenue - computer classes	267,624	99,491	367,115
Interest income	35	-	35
	<u>505,980</u>	<u>249,491</u>	<u>755,471</u>
 In-kind contributions			
Donated services - at fair value	381,364	-	381,364
Donated materials - at fair value	150,342	-	150,342
	<u>531,706</u>	<u>-</u>	<u>531,706</u>
 Net assets released from restrictions	<u>222,808</u>	<u>(222,808)</u>	<u>-</u>
<b>Total support and revenue</b>	1,260,494	26,683	1,287,177
 <b>Expenses</b>			
Program services	1,031,705	-	1,031,705
General and administrative	198,821	-	198,821
Fundraising	39,278	-	39,278
<b>Total expenses</b>	<u>1,269,804</u>	<u>-</u>	<u>1,269,804</u>
 <b>Change in net assets</b>	(9,310)	26,683	17,373
<b>Net assets, beginning of year</b>	<u>46,792</u>	<u>76,118</u>	<u>122,910</u>
<b>Net assets, end of year</b>	<u>\$ 37,482</u>	<u>\$ 102,801</u>	<u>\$ 140,283</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	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.

### Statement of Functional Expenses for the year ended June 30, 2011

	Program services	General and administrative	Fundraising	Total
Personnel costs	\$ 270,172	\$ 25,972	\$ 20,588	\$ 316,732
Payroll taxes	29,444	2,831	2,244	34,519
Employee benefits	29,614	2,847	2,257	34,718
Occupancy	20,321	7,197	1,151	28,669
Maintenance and repairs	8,476	1,034	254	9,764
Grants to other organizations	40,700	-	-	40,700
Professional services	49,578	45,622	761	95,961
Volunteer fees and stipends	41,722	-	2,009	43,731
Program expenses	23,926	-	-	23,926
Depreciation	18,956	4,308	974	24,238
Equipment and repairs	13,178	108	4	13,290
Insurance	3,143	321	184	3,648
Telephone and internet	4,032	492	181	4,705
Supplies	15,668	1,824	520	18,012
Meetings	2,884	893	-	3,777
Postage and shipping	317	321	3,582	4,220
Printing and copying	12,559	546	1,589	14,694
Marketing	2,220	49	1,916	4,185
Staff development and travel	8,575	1,678	282	10,535
Dues and subscriptions	1,946	1,155	428	3,529
Volunteer training and other	4,235	-	38	4,273
Fees	2,139	2,035	245	4,419
Total operating expenses	<u>603,805</u>	<u>99,233</u>	<u>39,207</u>	<u>742,245</u>
In-kind expenses				
Donated services - at fair value	282,512	98,852	-	381,364
Donated materials - at fair value	145,388	736	71	146,195
	<u>427,900</u>	<u>99,588</u>	<u>71</u>	<u>527,559</u>
Total expenses	<u>\$ 1,031,705</u>	<u>\$ 198,821</u>	<u>\$ 39,278</u>	<u>\$ 1,269,804</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,

**2012****2011****Cash flows from operating activities**

Change in net assets	\$ 186,719	\$ 17,373
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities-		
Depreciation	27,779	24,238
Donated equipment	(39,746)	(4,147)
Loss on disposal of assets	1,509	-
(Increase) decrease in operating assets		
Grant, contracts and pledges receivable	(112,264)	(60,468)
Promotional items	7,245	(7,245)
Prepaid expenses	(4,535)	(1,020)
Other assets	(1,500)	200
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	18,120	15,769
Grants payable	(10,280)	10,280
Net cash provided (used) by operating activities	<u>73,047</u>	<u>(5,020)</u>

**Cash flows from investing activities**

Purchase of property and equipment	<u>(41,023)</u>	<u>(7,848)</u>
Net cash used by investing activities	(41,023)	(7,848)

**Cash flows from financing activities**

Proceeds from line of credit	180,000	45,000
Repayment of line of credit	(180,000)	(45,000)
Proceeds from loan payable	-	75,000
Repayment of loan payable	-	(75,000)
Repayment of mortgage loan	<u>(13,996)</u>	<u>(13,005)</u>
Net cash used by investing activities	(13,996)	(13,005)

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

18,028	(25,873)
<u>32,114</u>	<u>57,987</u>
<u>\$ 50,142</u>	<u>\$ 32,114</u>

**Supplemental disclosure of cash flow information**

Cash paid for interest	<u>\$ 18,374</u>	<u>\$ 20,460</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, 2012 and 2011

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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. Instructors are volunteers. Low-income students receive free instruction and a free refurbished computer upon graduation. During fiscal year 2012, Byte Back taught classes to more than 1,400 students. Additionally, Byte Back provided training for IT certification to over 100 students. Byte Back is a licensed postsecondary educational institution. 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, 2012 and 2011, 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. Unlimited FDIC insurance for noninterest-bearing transaction accounts became effective on December 31, 2010 and continues through December 31, 2012. FDIC insurance on interest bearing accounts is \$250,000 per depositor, per insured bank.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2012 and 2011

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

#### 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, 2012 and 2011, estimated compensated absences of \$6,233 and \$5,073 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.

#### 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.

#### Promotional items

Byte Back maintains promotional items such as t-shirts, thumb drives, water bottles, and pens. These items are given to students, potential students and volunteers.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2012 and 2011

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

#### **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 or asset at the fair market value of the property on date of donation. In-kind support is detailed in Note 6 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, fundraising and general and administrative 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, contracts and pledges receivable, promotional items, prepaid expenses and other assets. Financial liabilities with carrying values approximating fair value include accounts payable and accrued expenses, grants payable and all debt instruments. 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 non-profit 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, 2012 and 2011.

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 2009 through 2012.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2012 and 2011

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### 3. Cash and cash equivalents

Cash and cash equivalents for June 30, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Checking	\$ 12,643	\$ 22,121
Money market	37,499	9,993
	<u>\$ 50,142</u>	<u>\$ 32,114</u>
Outstanding checks	\$ 19,032	\$ 19,855
Bank Balance	<u>\$ 69,174</u>	<u>\$ 51,969</u>
Covered by the Federal Deposit Insurance Corporation (FDIC)	<u>\$ 66,734</u>	<u>\$ 51,969</u>

### 4. Property and equipment

Property and equipment at June 30, 2012 and 2011 consisted of the following:

	<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>	

  

	<u>2011</u>			
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Depreciation expense</u>	<u>Useful life</u>
Building	\$ 234,316	\$ 72,908	\$ 6,008	39 years
Building renovations	35,310	5,345	2,219	15 years
Furniture and equipment	139,151	107,850	16,011	3-7 years
Total	<u>\$ 408,777</u>	<u>\$ 186,103</u>	<u>\$ 24,238</u>	

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2012 and 2011

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### 5. Grants, contracts and pledges receivable

Byte Back had grants, contracts and pledges receivable of \$234,295 and \$122,031, respectively as of June 30, 2012 and 2011. Receivables as of June 30, 2012 include \$194,295 due during the year ending June 30, 2013 and \$40,000 due during the year ending June 30, 2014. All grants, contracts and pledges receivable as of June 30, 2011 were due within one year.

Byte Back has no allowance for bad debt as all amounts are deemed fully collectible. Specific bad debts are expensed as they become known.

During the year ended June 30, 2010, Byte Back was awarded a contract to provide computer training services through the District of Columbia Department of Employment Services (DOES). The amount due from DOES for services provided as of June 30, 2012 and 2011 was \$23,825 and \$42,417, respectively. Grants and contracts receivable are included together on the accompanying statements of financial position.

During the year ended June 30, 2012 Byte Back was awarded a foundation grant to provide computer training to seniors. Grants receivable related to this award was \$120,000 at June 30, 2012. This represents 51% of grants and contracts receivable at June 30, 2012.

### 6. 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 and labor for the year ended June 30, 2012 include website design and legal services.

Donated services and labor during the year ended June 30, 2011 included consulting services of \$70,000 to acquire a Strategic Scorecard that clarifies Byte Back's strategic plan, objectives, measures, targets and initiatives. In 2011, Byte Back received software licenses from Microsoft.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2012 and 2011

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

Donated services and materials for the years ended June 30, 2012 and 2011 included the following:

	<u>2012</u>	<u>2011</u>
Donated services and labor		
Consulting services	\$ -	\$ 70,000
Classroom teachers, including		
Americorps volunteers	413,817	300,086
Other professional services	48,983	11,278
Donated assets	39,746	4,147
Donated materials and supplies	12,021	146,195
Total	<u>\$ 514,567</u>	<u>\$ 531,706</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, 2012 and 2011

### 7. Temporarily restricted net assets

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
<i>Restricted for future programs</i>				
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>

Temporarily restricted net assets consist of the following as of June 30, 2011:

	2010	Additions	Releases	2011
<i>Restricted for future periods</i>				
Cafritz Foundation	\$ 12,500	\$ 35,000	\$ 30,000	\$ 17,500
Barker Foundation	28,136	60,000	62,084	26,052
<i>Restricted for future programs</i>				
Meyer Foundation	15,000	30,000	16,500	28,500
Neighborhood Investment Fund	20,482	-	6,361	14,121
Mayor's Office on Latino Affairs	-	25,000	18,652	6,348
DC Department of Employment Services: Green Jobs	-	99,491	89,211	10,280
	<u>\$ 76,118</u>	<u>\$ 249,491</u>	<u>\$ 222,808</u>	<u>\$ 102,801</u>

See independent auditor's report.



# Byte Back, Inc.

## Notes to Financial Statements June 30, 2012 and 2011

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### 8. Grants payable

During the year ended June 30, 2011, Byte Back borrowed \$75,000 for operating purposes from the Meyer Foundation. The loan was repaid in full, with no interest.

During the year ended June 30, 2011, Byte Back was awarded a \$100,000 grant from the Department of Employment Services in partnership with First Time Computers and Washington Area Community Investment Fund. Each organization submitted grant reimbursement requests to Byte Back for their respective portion of the grant. At June 30, 2011 Byte Back owed First Time Computers \$5,314 and Washington Area Community Investment Fund \$4,966. These amounts represent the final disbursements of the grant.

### 9. Mortgage loan payable

Byte Back has a mortgage loan secured by land and its office building. As of June 30, 2012 and 2011, the principal amount of the mortgage loan payable was \$219,536 and \$233,532, 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:

2013	\$	15,163
2014		16,375
2015		17,674
2016		19,064
2017		20,622
Thereafter		130,638
Total	\$	<u>219,536</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 a renewal date of January 2013. Interest is applied at the annual rate of 4.75% and payments are required monthly. No amounts were outstanding as of June 30, 2012 and 2011.

See independent auditor's report.

# Byte Back, Inc.

## Notes to Financial Statements June 30, 2012 and 2011

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### 11. Commitments

On September 1, 2011, Byte Back began leasing additional office space in a building near its current office. Rent is \$1,500 with additional charges for utilities, cleaning and use of the conference room. The initial lease period is one year.

### 12. Subsequent events

Byte Back assessed events occurring subsequent to June 30, 2012 through February 18, 2013, 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.