

**Byte Back, Inc.**

Financial Statements  
and Independent Auditors' Report

December 31, 2019

**Byte Back, Inc.**

Financial Statements  
December 31, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Byte Back, Inc.

We have audited the accompanying financial statements of Byte Back, Inc. ("Byte Back"), which comprise the statement of financial position as of December 31, 2019; the related statements of activities, functional expenses, and cash flows for the year 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 controls 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 audit. We conducted our audit 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 from 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.

***Auditor's Responsibility (continued)***

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, the financial statements referred to above present fairly, in all material respects, the financial position of Byte Back as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, Byte Back adopted Financial Accounting Standards Board Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia  
May 12, 2020

## Byte Back, Inc.

### Statement of Financial Position December 31, 2019

#### Assets

Current assets:	
Cash and cash equivalents	\$ 1,273,649
Certificates of deposit	572,169
Grants and contracts receivable	181,701
Contributions receivable	1,973
Prepaid expenses	51,835
	<hr/>
Total current assets	2,081,327
Deposits	47,968
Property and equipment, net	606,362
	<hr/>
Total assets	<u><u>\$ 2,735,657</u></u>

#### Liabilities and Net Assets

##### Liabilities

Current liabilities:	
Accounts payable and accrued expenses	\$ 120,363
Deferred revenue	18,000
Deferred rent and tenant improvement allowance, current portion	19,309
	<hr/>
Total current liabilities	157,672
Deferred rent and tenant improvement allowance, long term portion	426,570
	<hr/>
Total liabilities	<u>584,242</u>

##### Net Assets

Without donor restrictions:	
Undesignated	546,430
Board-designated reserve fund	763,100
	<hr/>
Total without donor restrictions	1,309,530
With donor restrictions	841,885
	<hr/>
Total net assets	<u>2,151,415</u>
	<hr/>
Total liabilities and net assets	<u><u>\$ 2,735,657</u></u>

**Byte Back, Inc.**

Statement of Activities  
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>			
Corporate and foundation grants	\$ 722,231	\$ 1,180,816	\$ 1,903,047
Government grants and contracts	681,007	-	681,007
Individual contributions	122,978	-	122,978
In-kind contributions	87,594	-	87,594
Program revenue	64,862	-	64,862
Special events, net of direct costs of \$14,575	(14,485)	-	(14,485)
Investment return	12,004	-	12,004
Other revenue	1,859	-	1,859
Released from restrictions	1,004,967	(1,004,967)	-
<b>Total revenue and support</b>	<b>2,683,017</b>	<b>175,849</b>	<b>2,858,866</b>
<b>Expenses</b>			
Program services	1,921,008	-	1,921,008
General and administrative	583,163	-	583,163
Fundraising	226,650	-	226,650
<b>Total expenses</b>	<b>2,730,821</b>	<b>-</b>	<b>2,730,821</b>
<b>Change in Net Assets</b>	<b>(47,804)</b>	<b>175,849</b>	<b>128,045</b>
<b>Net Assets, beginning of year</b>	<b>1,357,334</b>	<b>666,036</b>	<b>2,023,370</b>
<b>Net Assets, end of year</b>	<b>\$ 1,309,530</b>	<b>\$ 841,885</b>	<b>\$ 2,151,415</b>

See accompanying notes.

**Byte Back, Inc.**

Statement of Functional Expenses  
For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Personnel costs	\$ 1,036,803	\$ 234,303	\$ 170,088	\$ 1,441,194
Employee benefits	69,939	19,233	12,024	101,196
Payroll taxes	92,141	20,629	14,951	127,721
Professional fees	203,072	135,849	3,382	342,303
Supplies	49,562	7,039	105	56,706
Telephone and internet	27,925	8,098	325	36,348
Postage and shipping	234	406	635	1,275
Dues and subscriptions	1,196	221	2,100	3,517
Printing and copying	5,857	2,698	1,807	10,362
Occupancy and utilities	189,361	47,059	2,297	238,717
Depreciation and amortization	90,012	21,378	1,125	112,515
Meetings	5,310	13,479	5,715	24,504
Equipment and software	2,719	14,696	2,389	19,804
Professional development	4,309	12,722	199	17,230
Insurance	5,210	8,321	65	13,596
Bank and license fees	-	6,070	5,028	11,098
Marketing	4,583	7,386	37	12,006
Stipends and training	27,431	-	-	27,431
Student events	9,230	-	-	9,230
Volunteer costs	103	92	-	195
Transportation	15,241	5,965	2,383	23,589
Donated materials and services	79,580	8,014	-	87,594
Other expenses	1,190	9,505	1,995	12,690
<b>Total Expenses</b>	<b>\$ 1,921,008</b>	<b>\$ 583,163</b>	<b>\$ 226,650</b>	<b>\$ 2,730,821</b>

*See accompanying notes.*

## Byte Back, Inc.

### Statement of Cash Flows For the Year Ended December 31, 2019

<b>Cash Flows from Operating Activities</b>	
Change in net assets	\$ 128,045
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized gain	(2,503)
Depreciation and amortization	112,515
Change in operating assets and liabilities:	
Decrease (increase) in:	
Grants and contracts receivable	389,279
Contributions receivable	9,098
Prepaid expenses	(7,045)
Deposits	(47,968)
(Decrease) increase in:	
Accounts payable and accrued expenses	(13,551)
Deferred revenue	18,000
Deferred rent and tenant improvement allowance	(78,764)
	<hr/>
Net cash provided by operating activities	507,106
	<hr/>
<b>Cash Flows from Investing Activities</b>	
Purchases of property and equipment	(50,455)
Purchases of certificates of deposit	(502,126)
Proceeds from sales of investments	24,215
	<hr/>
Net cash used in investing activities	(528,366)
	<hr/>
<b>Net Decrease in Cash and Cash Equivalents</b>	(21,260)
	<hr/>
<b>Cash and Cash Equivalents, beginning of year</b>	1,294,909
	<hr/>
<b>Cash and Cash Equivalents, end of year</b>	<u><u>\$ 1,273,649</u></u>

See accompanying notes.

# Byte Back, Inc.

Notes to Financial Statements  
December 31, 2019

## 1. Nature of Operations

Byte Back, Inc. (“Byte Back”) provides a pathway of inclusive tech training that leads to living-wage careers. It is one of the only organizations in the country where adults can start using a computer for the first time, earn industry-recognized tech certifications, and move into living-wage careers. Since 1997, Byte Back has served thousands of adults, helping graduates gain valuable technology skills, launch successful careers, and become part of the growing digital economy. Byte Back serves adults who are predominantly people of color, women, and unemployed or underemployed adults without college degrees. Byte Back offers courses in the Washington, DC area and the Baltimore area. Students have an incredible, untapped potential to change the tech sector as administrative and IT professionals.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting and Presentation

Byte Back’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

### Classification of Net Assets

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve fund.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### Cash Equivalents

For the purpose of the statement of cash flows, Byte Back considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

## Byte Back, Inc.

Notes to Financial Statements  
December 31, 2019

### 2. Summary of Significant Accounting Policies (continued)

#### Certificates of Deposit

At December 31, 2019, Byte Back held certificates of deposit with original maturity dates greater than a period of ninety days that are carried at amortized cost. Interest earned on certificates of deposit is included in the accompanying statement of activities. These certificates of deposit do not qualify as securities as defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities*. Therefore, these investments are not included in the fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*.

#### Grants and Contracts Receivable

Grants and contracts receivable include amounts due from corporations, foundations, federal, and District of Columbia sources for computer training services. All amounts are considered fully collectible by management and are due within one year. No allowance for doubtful accounts is recorded, as management believes that all receivables are fully collectible.

#### Contributions Receivable

Contributions receivable represent unconditional amounts committed to Byte Back. Management determines the allowance for doubtful accounts based upon review of outstanding receivables, historical collection information, and existing economic conditions. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Management has determined all contributions receivable are fully collectible as of December 31, 2019.

#### Property and Equipment

Property and equipment acquisitions with a cost greater than \$1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, which is three years for furniture, fixtures, and equipment assets. Leasehold improvements are amortized over the estimated useful life of the lease. Upon disposal of depreciable assets, the cost and related accumulated depreciation and amortization are eliminated from the accounts and the resulting gain or loss is credited or charged to income. Expenditures for repairs and maintenance are expensed as incurred.

## Byte Back, Inc.

Notes to Financial Statements  
December 31, 2019

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition

Grants and contributions are recorded as revenue when received or promised. Byte Back reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to one of Byte Back's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

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. For contracts and grants determined to be cost-reimbursement awards, revenue is recognized as costs are incurred, and funds received in excess of costs incurred are recorded as deferred revenue.

Revenue from all other sources is recognized when earned.

#### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas.

#### Advertising Costs

Byte Back expenses advertising costs as incurred. Advertising costs totaled \$3,970 for the year ended December 31, 2019.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## Byte Back, Inc.

Notes to Financial Statements  
December 31, 2019

### 2. Summary of Significant Accounting Policies (continued)

#### Adopted Accounting Pronouncement

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Byte Back has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in these financial statements under a modified prospective basis. The implementation had no impact on the previously reported net assets.

#### Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

#### Subsequent Events

In preparing these financial statements, Byte Back has evaluated events and transactions for potential recognition or disclosure through May 12, 2020, the date the financial statements were available to be issued.

The COVID-19 outbreak in the United States and around the world has caused business disruption due to mandatory lockdowns implemented in most states in order to slow down the spread of the virus. Byte Back's management has been monitoring the situation and implementing certain changes in its operations and upcoming events in order to mitigate the impact of this pandemic, including cancelling in-person classes and closing its offices during the government-mandated stay-at-home order periods. As a result of the crisis, Byte Back has notified students of any cancellations and virtual training opportunities. Byte Back's management is following the ongoing impact of travel restrictions, stay-at-home orders, the economic shutdown, and the uncertainty of this pandemic generally, and will continue to make changes to operations as needed in 2020. The accompanying financial statements do not include any adjustments that may be necessary if Byte Back is unable to continue as a going concern.

## Byte Back, Inc.

Notes to Financial Statements  
December 31, 2019

### 3. Liquidity and Availability

Byte Back strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management periodically reviews Byte Back's liquid asset needs and adjusts the cash and cash equivalent balances as necessary. Amounts in excess of operating liquidity needs are invested in various certificates of deposit.

Additionally, Byte Back considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Byte Back also considers its Board-designated reserve fund, which is comprised of funds set aside for operating reserves, to be available to meet cash needs for general expenditures.

Financial assets that are available for general expenditures within one year of the statement of financial position date comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 1,273,649
Certificates of deposit	572,169
Grants receivable	181,701
Contributions receivable	<u>1,973</u>
Total available for general expenditures	<u><u>\$ 2,029,492</u></u>

### 4. Concentration of Credit Risk

Financial instruments that potentially subject Byte Back to significant concentrations of credit risk consist of cash and cash equivalents, and certificates of deposit. Byte Back maintains cash deposit and transaction accounts, along with certificates of deposit, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). Byte Back has not experienced any credit losses on its cash and cash equivalents, and certificates of deposit to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

## Byte Back, Inc.

### Notes to Financial Statements December 31, 2019

#### 5. Property and Equipment

Property and equipment consists of the following at December 31, 2019:

Furniture and fixtures	\$	122,002
Equipment		187,897
Leasehold improvements		540,368
Software		34,976
		<hr/>
Total property and equipment		885,243
Less: accumulated depreciation and amortization		(278,881)
		<hr/>
Property and equipment, net	\$	606,362
		<hr/>

#### 6. Line of Credit

Byte Back maintains a revolving line of credit for \$300,000 with a financial institution. The line of credit is secured by the assets held at the financial institution. The interest rate on the line of credit is the prime rate plus 1.5%. No amounts were outstanding on the line of credit as of December 31, 2019.

#### 7. In-Kind Contributions

##### Donated Services

Byte Back receives contributions of professional services, time from volunteer teachers who provide computer training to participants of Byte Back's programs, and materials. Such contributions are valued at fair market value at the time of receipt and are recorded as revenue and expense. Teacher hours are valued between \$15 and \$20 per hour, depending on the course level taught. Donated services for the year ended December 31, 2019 included advertising and media services, teacher hours, and other professional services. Donated services totaled \$85,494 for the year ended December 31, 2019, and are included in in-kind contributions in the accompanying statement of activities.

Additionally, a substantial number of other 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.

## Byte Back, Inc.

Notes to Financial Statements  
December 31, 2019

### 7. In-Kind Contributions (continued)

#### Donated Goods

Donated materials consisted of student supplies, such as computers and laptops, during the year ended December 31, 2019. These donated goods are recorded using the fair market value on the date of receipt. Donated goods totaled \$2,100 for the year ended December 31, 2019, and are included in in-kind contributions in the accompanying statement of activities.

### 8. Board-Designated Net Assets

The purpose of the operating reserve fund for Board-designated net assets is to provide an internal source of resources with a target minimum of six months of average operating costs. These net assets are set aside as an operating reserve fund, and consist of both cash and cash equivalent accounts, as well as certificates of deposit accounts. The balance in the fund was \$763,100 as of December 31, 2019.

### 9. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at December 31, 2019:

Baltimore and DC programs	\$	485,665
Academy of Hope program		50,000
A+ program		50,000
Spanish computer literacy		11,875
African American grant		5,662
Prince George's County, MD student grant		25,350
Other programs		83,333
Time restricted		<u>130,000</u>
Total net assets with donor restrictions	\$	<u><u>841,885</u></u>

### 10. Retirement Plan

Byte Back maintains a 403(b) plan (“the Plan”) for the benefit of its eligible employees that is managed and administered by third-party providers. The Plan allows for an employer match of up to 1% of an employee’s salary for those who contribute at least 1% of their salary. Employer contributions for the year ended December 31, 2019 were \$8,808.

## Byte Back, Inc.

Notes to Financial Statements  
December 31, 2019

### 11. Functionalized Expenses

The financial statements report categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Where feasible, Byte Back allocates its expenses directly to specific programs or functions. Additionally, Byte Back utilizes an indirect cost allocation methodology to allocate expenses. Expenses that are allocated include salaries, employee benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. The majority of expenses are allocated across functions based on an estimated percentage of time and effort spent by staff on the natural type of expense.

### 12. Commitments and Contingencies

#### Government Grants and Contracts

The Federal funds that Byte Back receives from various agencies are subject to audit under the provisions of the respective grant agreements. The ultimate determination of amounts received under these grants is based upon the allowance of costs reported to and accepted by the oversight agency. Until such grants are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

#### Operating Leases

In May 2017, Byte Back signed a seven-year lease for operations and classroom space at a location in Washington, DC. The lease commenced on July 1, 2017, and is scheduled to expire on June 30, 2024. The lease terms include several lease incentives, such as rent abatement and a tenant improvement allowance for a buildout of the office space. The lease requires monthly rent payments with scheduled annual rent increases of 2.5%. Byte Back utilized \$466,950 of the tenant improvement allowance provided. The leasehold improvements are recorded as a capitalized asset under property and equipment costs, and are being amortized over the term of the lease. The unamortized portion of the actual rent paid and the straight-line rent is reflected as deferred rent and tenant improvement allowance in the accompanying statement of financial position.

Additional classroom space is rented on a short-term basis in various locations. Total rental expense for the main office and additional classroom space for the year ended December 31, 2019 was \$236,244, and is included in occupancy and utilities expense in the accompanying statement of functional expenses.

## Byte Back, Inc.

Notes to Financial Statements  
December 31, 2019

### 12. Commitments and Contingencies (continued)

#### Operating Leases (continued)

Byte Back also leases office equipment under an operating lease, which requires fixed monthly rent payments on a month-to-month basis.

Future minimum lease payments under all operating leases are as follows as of December 31:

2020	\$	326,589
2021		305,479
2022		313,106
2023		320,919
2024		<u>162,436</u>
Total future minimum lease payments	\$	<u>1,428,529</u>

### 13. Income Taxes

Byte Back is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). For the year December 31, 2019, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to Byte Back are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated Byte Back's tax positions and concluded that the financial statements do not include any uncertain tax positions.