

ACE Mentor Program of America, Inc.

Financial Statements

December 31, 2012 and 2011

Independent Auditors' Report

The Board of Directors ACE Mentor Program of America, Inc.

We have audited the accompanying financial statements of ACE Mentor Program of America, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, 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.

Auditors' 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 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 auditors' 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.

Basis for Qualified Opinion on 2012 Statement of Activities

Because the Organization did not maintain contemporaneous documentation to support contributed services in 2012, we were unable to obtain sufficient appropriate evidence regarding management's estimate of the value of these services, stated as \$290,000 in the accompanying statement of activities for the year ended December 31, 2012.

Qualified Opinion on 2012 and Unmodified Opinion on 2011

In our opinion, except for the possible effects on the 2012 financial statements of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of ACE Mentor Program of America, Inc. as of December 31, 2012 and 2011, 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.

O'Connor Davies, LLP

October 23, 2013

O'CONNOR DAVIES, LLP

One Stamford Landing, 62 Southfield Ave., Stamford, CT 06902 | Tel: 203.323.2400 | Fax: 203.967.8733 | www.odpkf.com

ACE Mentor Program of America, Inc.

Statements of Financial Position

	December 31,	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 636,470	\$ 72,480
Due from affiliates, net of allowance for doubtful accounts of \$4,530 and \$7,500	37,255	58,384
Pledges and other receivable	546,000	688,500
Prepaid expenses	55,271	68,887
Total Current Assets	1,274,996	888,251
Pledges receivable, noncurrent, net	460,775	638,636
Security deposit	4,734	-
Property and equipment, net of accumulated depreciation and amortization	49,775	91,479
	\$ 1,790,280	\$ 1,618,366
LIABILITIES AND NET ASSETS (DEFICIT)		
Current Liabilities		
Accounts payable and accrued expenses	\$ 55,300	\$ 48,450
Scholarships grants, current portion	80,625	132,600
Amounts held on behalf of chapters and affiliates	31,218	94,580
Total Current Liabilities	167,143	275,630
Scholarships grants, noncurrent	43,250	105,687
Total Liabilities	210,393	381,317
Net Assets (Deficit)		
Unrestricted	573,112	(15,087)
Temporarily restricted	1,006,775	1,252,136
Total Net Assets	1,579,887	1,237,049
	\$ 1,790,280	\$ 1,618,366

See notes to financial statements

ACE Mentor Program of America, Inc.

Statements of Activities

	Year Ended December 31, 2012			Year Ended December 31, 2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Contributions	\$ 335,008	\$ 937,026	\$ 1,272,034	\$ 716,206	\$ 760,704	\$ 1,476,910
In-kind services	290,000	-	290,000	\$ 153,400	\$ -	153,400
Income from affiliates	231,689	-	231,689	415,009	-	415,009
Other income	250	-	250	96,224	-	96,224
Net assets released from restrictions	<u>1,182,387</u>	<u>(1,182,387)</u>	<u>-</u>	<u>728,907</u>	<u>(728,907)</u>	<u>-</u>
Total Public Support and Revenue	<u>2,039,334</u>	<u>(245,361)</u>	<u>1,793,973</u>	<u>2,109,746</u>	<u>31,797</u>	<u>2,141,543</u>
EXPENSES						
Program services	999,418	-	999,418	1,199,347	-	1,199,347
General and administrative	349,259	-	349,259	370,036	-	370,036
Fundraising	<u>102,458</u>	<u>-</u>	<u>102,458</u>	<u>168,306</u>	<u>-</u>	<u>168,306</u>
Total Expenses	<u>1,451,135</u>	<u>-</u>	<u>1,451,135</u>	<u>1,737,689</u>	<u>-</u>	<u>1,737,689</u>
Change in Net Assets	588,199	(245,361)	342,838	372,057	31,797	403,854
NET ASSETS						
Beginning of year	<u>(15,087)</u>	<u>1,252,136</u>	<u>1,237,049</u>	<u>(387,144)</u>	<u>1,220,339</u>	<u>833,195</u>
End of year	<u>\$ 573,112</u>	<u>\$ 1,006,775</u>	<u>\$ 1,579,887</u>	<u>\$ (15,087)</u>	<u>\$ 1,252,136</u>	<u>\$ 1,237,049</u>

See notes to financial statements

ACE Mentor Program of America, Inc.

Statements of Functional Expenses

	Year Ended December 31, 2012				Year Ended December 31, 2011			
	Program Services	General and Administrative	Fund-raising	Total Expenses	Program Services	General and Administrative	Fund-raising	Total Expenses
EXPENSES								
Personnel								
Salaries, benefits and taxes	\$ 318,593	\$ 80,485	\$ 31,374	\$ 430,452	\$ 513,220	\$ 135,228	\$ 77,484	\$ 725,932
Consultants and contract staff	57,155	14,443	5,638	77,236	85,217	22,419	12,897	120,533
Outsourced services	157,422	125,938	31,484	314,844	96,977	77,581	19,395	193,953
Office and other general expenses	69,599	34,526	8,080	112,205	107,158	33,756	26,239	167,153
Travel	45,209	7,176	19,375	71,760	66,476	10,552	28,490	105,518
Insurance	216,130	23,877	-	240,007	257,250	26,050	-	283,300
Scholarships and grants	5,250	-	-	5,250	4,000	-	-	4,000
Chapter leadership awards	2,138	-	-	2,138	150	-	-	150
Professional fees								
Legal and accounting	38,194	42,438	4,243	84,875	34,214	38,015	3,801	76,030
Background checks	24,087	-	-	24,087	25,061	-	-	25,061
Student mentoring - PYN project	43,001			43,001	9,624			9,624
Depreciation and amortization	22,640	20,376	2,264	45,280	-	26,435	-	26,435
Total Expenses	\$ 999,418	\$ 349,259	\$ 102,458	\$ 1,451,135	\$ 1,199,347	\$ 370,036	\$ 168,306	\$ 1,737,689

See notes to financial statements

ACE Mentor Program of America, Inc.

Statements of Cash Flows

	Years Ended December 31,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 342,838	\$ 403,854
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	45,280	26,435
Capitalized contributed services	-	(65,000)
Changes in operating assets and liabilities		
Accounts receivable	21,129	(16,370)
Pledges and other receivable	320,361	(11,797)
Other assets	(4,734)	-
Prepaid expenses	13,616	(22,960)
Accounts payable	6,850	(207,240)
Scholarships payable	(114,412)	(79,351)
Unearned income, chapters and affiliates	-	(67,997)
Net Cash from Operating Activities	630,928	(40,426)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(3,576)	678
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts held for chapters and affiliates	(63,362)	(39)
Net Change in Cash and Cash Equivalents	563,990	(39,787)
CASH AND CASH EQUIVALENTS		
Beginning of year	72,480	112,267
End of year	\$ 636,470	\$ 72,480

See notes to financial statements

ACE Mentor Program of America, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

1. Organization

ACE Mentor Program of America, Inc. (the "Organization" or "ACE") was established in 2002 to serve as the umbrella organization under which individual ACE chapters can be guided and coordinated. ACE stands for Architecture, Construction, and Engineering. The Organization's primary goal is to enlighten and motivate high school students toward careers in architecture, construction, and engineering. ACE operates primarily through its regional chapters and ACE affiliates throughout the United States. ACE affiliates provide mentoring opportunities for high school students in these fields of study and awards scholarships to college-bound students. The Organization is supported primarily by contributions from individuals, corporations and foundations.

ACE supports its chapters by providing training programs, community and corporate development opportunities and limited financial support. ACE's chapters, however, are separate legal entities, operating under the direction of their own boards of directors, and accordingly, are not included in these financial statements.

ACE is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as other than a private foundation. ACE provides for a group exemption number under which its chapters and affiliates operate and file reports annually.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets are classified as permanently restricted, temporarily restricted or unrestricted. The Organization has no permanently restricted net assets.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the allowance for doubtful accounts due from affiliates, pledge receivable discounts, and depreciation and amortization.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

ACE Mentor Program of America, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

2. Summary of Significant Accounting Policies (continued)

Equipment and Website Development

Equipment is recorded at cost, or if received by donation, at estimated fair value at the time such items are received. Equipment is depreciated using the straight-line method over estimated lives of 3 to 7 years. Costs incurred, including the estimated fair value of contributed services, during the application development stage in connection with website development are similarly capitalized and amortized on a straight-line basis over an estimated life of 3 years. Costs incurred to maintain the website are expensed as incurred.

Income from Chapters and Affiliates

ACE procures insurance for, and provides other support services to, its chapters and affiliates and bills the chapters and affiliates for these costs. Amounts billed to the chapters and affiliates are recognized as income over 12-months. Amounts billed to chapters and affiliates not yet earned are reflected as a liability in the statement of financial position.

Funds Held on Behalf of Chapters and Affiliates

ACE receives and holds certain funds which are intended for use by its chapters and affiliates. These amounts are considered agency funds and are reflected as a liability until released to the specified chapter or affiliate.

Contributions

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give that are due in future periods are considered to be temporarily restricted net assets and are reported at the present value of their net realizable value, using risk-adjusted interest rates.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are received. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets according to the nature of the restrictions. When a purpose or time restriction is fulfilled or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services

Donated services are recognized as contributions if the services either, a) create or enhance non-financial assets, or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ACE.

Reclassifications

Certain prior year expenses have been reclassified in order to conform with the current year presentation.

ACE Mentor Program of America, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

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

Functional Expenses

The Organization allocates its expenses on a functional basis among its program, support and fundraising services. Expenses that can be specifically identified with a program, support or fundraising service are allocated directly, while expenses that are common to several functions are allocated based on estimates made by management.

Accounting for Uncertainty in Income Taxes

Management recognizes the effects of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examination by applicable taxing authorities for periods prior to 2008.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 23, 2013.

3. Concentrations of Risk

Cash Deposits

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash and cash equivalent account. At times, cash balances may be in excess of balances insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk.

Pledges Receivable

At December 31, 2012 pledges receivable from the five largest contributors, each of which has unfulfilled pledges of \$100,000 or more, totaled \$600,000. At December 31, 2011, pledges receivable from the seven largest contributors, each of which had unfulfilled pledges of \$100,000 or more, totaled \$920,000.

ACE Mentor Program of America, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

4. Pledges Receivable

Pledges receivable are summarized as follows as of December 31, 2012:

Pledges receivable due in	
2013 and prior periods	\$ 546,000
2014	345,000
2015	<u>135,000</u>
	1,026,000
Less unamortized discount on pledges receivable	<u>(19,225)</u>
Total pledges Receivable, net of discount	<u>\$ 1,006,775</u>

Pledges receivable in more than one year are discounted using discount rates ranging from 3% to 6%. Management believes that all pledges receivable are collectible in full, and accordingly, no allowance for doubtful accounts has been provided.

5. Equipment and Website Development

Equipment and website development consists of the following as of December 31:

	<u>2012</u>	<u>2011</u>
Equipment and computers	\$ 90,313	\$ 87,904
Website development	<u>65,000</u>	<u>65,000</u>
	155,313	152,904
Less accumulated depreciation	<u>(105,538)</u>	<u>(61,425)</u>
	<u>\$ 49,775</u>	<u>\$ 91,479</u>

6. Scholarship Commitments

ACE awards scholarships to students enrolled in college level degree programs in the fields of Architecture, Construction and Engineering. Scholarships are generally payable annually for period of up to four years from date of award. As of December 31, 2012, ACE has commitments for scholarship grants as follows:

2012	\$ 43,250
2013	53,750
2014	<u>26,875</u>
	<u>\$ 123,875</u>

During the year ended December 31, 2012 forfeited scholarships in the amount of \$42,600 have been netted against scholarships and grants expense.

ACE Mentor Program of America, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

7. Contributed Services

During the years ended December 31, 2012 and 2011, the Organization received certain services free of charge. Management has estimated the value of these services to be \$290,000 and \$153,400.

These amounts are included in the financial statements as follows:

	<u>Program Services</u>	<u>General and Admini- strative</u>	<u>Fund- Raising</u>	<u>Total</u>
Year Ended December 31, 2012				
Outsourced services				
Website support	\$ 100,000	\$ 80,000	\$ 20,000	\$ 200,000
Marketing services	37,500	30,000	7,500	75,000
Legal services	6,750	7,500	750	15,000
	<u>\$ 144,250</u>	<u>\$ 117,500</u>	<u>\$ 28,250</u>	<u>\$ 290,000</u>
Year Ended December 31, 2011				
Outsourced services				
Website support	<u>\$ 44,200</u>	<u>\$ 35,360</u>	<u>\$ 8,840</u>	\$ 88,400
Website development (capitalized)				65,000
				<u>\$ 153,400</u>

8. Transactions with Chapters and Affiliates

ACE's program activities include the start-up of new chapters and affiliates, training, community and corporate development for established chapters and affiliates. ACE also procures insurance and mentor background checks for its chapters and affiliates. These costs are covered, in part, through charges to ACE's operating chapters and affiliates. However, chapters and affiliates in formation and operating their initial year of operations are not charged for these costs. Amounts billed to chapters and affiliates are recorded as income from affiliates in the accompanying financial statements.

9. Temporarily Restricted Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time. Restrictions released during the years ended December 31, 2012 and 2011 were the result of the passage of time restrictions.

ACE Mentor Program of America, Inc.

Notes to Financial Statements
December 31, 2012 and 2011

9. Temporarily Restricted Net Assets *(continued)*

Temporarily restricted net assets consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Available for use in future periods		
General use	\$ 1,026,000	\$ 1,286,500
Discounts to present value	<u>(19,225)</u>	<u>(34,364)</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,006,775</u>	<u>\$ 1,252,136</u>

10. Operating Lease

The Organization leases office space under a non-cancelable operating lease that expires in August 2015. The Lease provides for one two (2) year extension at the Organization's option. In addition to base rent, the lease provides for payment of certain operating cost and real estate tax escalations. Future minimum lease payments due under the lease are as follows for the years ending December 31::

2013	\$ 28,663
2014	29,450
2015	<u>19,991</u>
	<u>\$ 78,104</u>

Rent expense for all operating leases for the years ended December 31, 2012 and 2011 was \$31,639 and \$35,388.
