

**ACE Mentor Program of America, Inc.**

Financial Statements

December 31, 2013 and 2012

**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, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' 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 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 Statement of Activities***

Because the Organization did not maintain contemporaneous documentation to support contributed services in 2013 and 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 each of the years ended December 31, 2013 and 2012.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of ACE Mentor Program of America, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



August 26, 2014

## ACE Mentor Program of America, Inc.

### Statements of Financial Position

	December 31,	
	2013	2012
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 895,536	\$ 636,470
Due from affiliates, net of allowance for doubtful accounts of \$7,242 and \$4,530	68,330	37,255
Other receivable	25,729	-
Pledges receivable	529,000	546,000
Prepaid expenses	65,897	55,271
Total Current Assets	1,584,492	1,274,996
Pledges receivable, noncurrent, net	178,756	460,775
Security deposit	4,734	4,734
Property and equipment, net of accumulated depreciation and amortization	25,425	49,775
	\$ 1,793,407	\$ 1,790,280
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 25,935	\$ 55,300
Scholarships grants, current portion	28,500	80,625
Amounts held on behalf of chapters and affiliates	87,729	31,218
Total Current Liabilities	142,164	167,143
Scholarships grants, noncurrent	32,250	43,250
Total Liabilities	174,414	210,393
Net Assets		
Unrestricted	911,237	573,112
Temporarily restricted	707,756	1,006,775
Total Net Assets	1,618,993	1,579,887
	\$ 1,793,407	\$ 1,790,280

See notes to financial statements

**ACE Mentor Program of America, Inc.**

Statements of Activities

	Year Ended December 31, 2013			Year Ended December 31, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>PUBLIC SUPPORT AND REVENUE</b>						
Contributions	\$ 103,165	\$ 729,231	\$ 832,396	\$ 335,008	\$ 937,026	\$ 1,272,034
In-kind services	290,000	-	290,000	290,000	-	290,000
Income from affiliates	302,643	-	302,643	231,689	-	231,689
Other income	-	-	-	250	-	250
Net assets released from restrictions	<u>1,028,250</u>	<u>(1,028,250)</u>	<u>-</u>	<u>1,182,387</u>	<u>(1,182,387)</u>	<u>-</u>
Total Public Support and Revenue	<u>1,724,058</u>	<u>(299,019)</u>	<u>1,425,039</u>	<u>2,039,334</u>	<u>(245,361)</u>	<u>1,793,973</u>
<b>EXPENSES</b>						
Program services	911,496	-	911,496	999,418	-	999,418
General and administrative	374,269	-	374,269	349,259	-	349,259
Fundraising	<u>100,168</u>	<u>-</u>	<u>100,168</u>	<u>102,458</u>	<u>-</u>	<u>102,458</u>
Total Expenses	<u>1,385,933</u>	<u>-</u>	<u>1,385,933</u>	<u>1,451,135</u>	<u>-</u>	<u>1,451,135</u>
Change in Net Assets	338,125	(299,019)	39,106	588,199	(245,361)	342,838
<b>NET ASSETS</b>						
Beginning 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>
End of year	<u>\$ 911,237</u>	<u>\$ 707,756</u>	<u>\$ 1,618,993</u>	<u>\$ 573,112</u>	<u>\$ 1,006,775</u>	<u>\$ 1,579,887</u>

See notes to financial statements

**ACE Mentor Program of America, Inc.**

Statements of Functional Expenses

	Year Ended December 31, 2013				Year Ended December 31, 2012			
	Program Services	General and Administrative	Fund-raising	Total Expenses	Program Services	General and Administrative	Fund-raising	Total Expenses
<b>EXPENSES</b>								
Personnel								
Salaries, benefits and taxes	\$ 440,627	\$ 70,718	\$ 32,639	\$ 543,984	\$ 318,593	\$ 80,485	\$ 31,374	\$ 430,452
Consultants and contract staff	275	44	20	339	57,155	14,443	5,638	77,236
Outsourced services	134,436	168,046	33,609	336,091	157,422	125,938	31,484	314,844
Office and other general expenses	78,384	12,581	5,806	96,771	69,599	34,526	8,080	112,205
Travel	61,741	9,800	26,461	98,002	45,209	7,176	19,375	71,760
Insurance	178,720	22,627	113	201,460	216,130	23,877	-	240,007
Professional fees								
Legal and accounting	-	84,447	-	84,447	38,194	42,438	4,243	84,875
Background checks	27,562	-	-	27,562	24,087	-	-	24,087
Forfeited scholarships	(46,125)	-	-	(46,125)	(42,662)	-	-	(42,662)
Scholarships and grants	-	-	-	-	5,250	-	-	5,250
Chapter leadership awards	15,350	-	-	15,350	44,800	-	-	44,800
Student mentoring - PYN project	-	-	-	-	43,001	-	-	43,001
Bad debt expense	-	2,712	-	2,712	-	-	-	-
Depreciation and amortization	20,526	3,294	1,520	25,340	22,640	20,376	2,264	45,280
	<u>20,526</u>	<u>3,294</u>	<u>1,520</u>	<u>25,340</u>	<u>22,640</u>	<u>20,376</u>	<u>2,264</u>	<u>45,280</u>
<b>Total Expenses</b>	<u>\$ 911,496</u>	<u>\$ 374,269</u>	<u>\$ 100,168</u>	<u>\$ 1,385,933</u>	<u>\$ 999,418</u>	<u>\$ 349,259</u>	<u>\$ 102,458</u>	<u>\$ 1,451,135</u>

See notes to financial statements

**ACE Mentor Program of America, Inc.**

Statements of Cash Flows

	Years Ended December 31,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 39,106	\$ 342,838
Adjustments to reconcile change in net assets to net cash from operating activities		
Forfeited scholarships	(46,125)	(42,662)
Depreciation and amortization	25,340	45,280
Bad debt expense	2,712	-
Present value adjustment on pledges receivable	(7,981)	(15,139)
Changes in operating assets and liabilities		
Accounts receivable	(33,787)	21,129
Other receivable	(25,729)	-
Pledges and other receivable	307,000	335,500
Prepaid expenses and other assets	(10,626)	8,882
Accounts payable	(29,365)	6,850
Scholarships payable	(17,000)	(71,750)
	203,545	630,928
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(990)	(3,576)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts held for chapters and affiliates	56,511	(63,362)
Net Change in Cash and Cash Equivalents	259,066	563,990
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	636,470	72,480
End of year	\$ 895,536	\$ 636,470
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Non-cash Investing and Financing Activities		
Disposal of fully depreciated equipment	\$ 2,553	\$ -

See notes to financial statements

## **ACE Mentor Program of America, Inc.**

Notes to Financial Statements  
December 31, 2013 and 2012

### **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, 2013 and 2012

### 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, 2013 and 2012

### **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 2010.

#### ***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 August 26, 2014.

### **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, 2013 pledges receivable from the three largest contributors, each of which has unfulfilled pledges of \$100,000, totaled \$300,000. 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.

## ACE Mentor Program of America, Inc.

Notes to Financial Statements  
December 31, 2013 and 2012

### 4. Pledges Receivable

Pledges receivable are summarized as follows as of December 31:

	<u>2013</u>	<u>2012</u>
Pledges receivable due in less than one year	\$ 529,000	\$ 546,000
Pledges receivable due in one to three years	<u>190,000</u>	<u>480,000</u>
	719,000	1,026,000
Less unamortized discount on pledges receivable	<u>(11,244)</u>	<u>(19,225)</u>
Total Pledges Receivable, Net of Discount	<u>\$ 707,756</u>	<u>\$ 1,006,775</u>

Pledges receivable in more than one year are discounted using discount rates ranging from 3.25% to 5.5% at December 31, 2013 and 2012. 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>2013</u>	<u>2012</u>
Equipment and computers	\$ 88,750	\$ 90,313
Website development	<u>65,000</u>	<u>65,000</u>
	153,750	155,313
Less accumulated depreciation	<u>(128,325)</u>	<u>(105,538)</u>
	<u>\$ 25,425</u>	<u>\$ 49,775</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, 2013, ACE has commitments for scholarship grants as follows:

2014	\$ 28,500
2015	19,750
2016	<u>12,500</u>
	<u>\$ 60,750</u>

During the years ended December 31, 2013 and 2012, forfeited scholarships in the amount of \$46,125 and \$42,662 have been reported on the statements of functional expenses.

## ACE Mentor Program of America, Inc.

Notes to Financial Statements  
December 31, 2013 and 2012

### 7. Contributed Services

During the years ended December 31, 2013 and 2012, ACE received certain services free of charge. Management has estimated the value of these services at \$290,000 for both the years ended December 31, 2013 and 2012.

These amounts are included in the financial statements for both the years ended December 31, 2013 and 2012 as follows:

	Program Services	General and Admini- strative	Fund- Raising	Total
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>

### 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.

Income from affiliates for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Affiliate insurance reimbursement	\$ 180,262	\$ 212,629
Affiliate background fee reimbursement	27,561	19,060
Administrative fee	94,820	-
	<u>\$ 302,643</u>	<u>\$ 231,689</u>

## ACE Mentor Program of America, Inc.

Notes to Financial Statements  
December 31, 2013 and 2012

### 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, 2013 and 2012 were the result of the passage of time restrictions. Temporarily restricted net assets consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Available for use in future periods		
General use	\$ 719,000	\$ 1,026,000
Discounts to present value	<u>(11,244)</u>	<u>(19,225)</u>
Total Temporarily Restricted Net Assets	<u>\$ 707,756</u>	<u>\$ 1,006,775</u>

### 10. Operating Lease

ACE leases office space under a non-cancelable operating lease that expires in August 2015. The lease provides for one two (2) year extension at ACE'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:

2014	\$ 29,450
2015	<u>19,991</u>
	<u>\$ 49,441</u>

Rent expense for all operating leases for the years ended December 31, 2013 and 2012 was \$28,727 and \$31,639.

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