PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

ACE Mentor Program of America, Inc.

Financial Statements

December 31, 2016 and 2015

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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., which comprise the statements of financial position as of December 31, 2016 and 2015, 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 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 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.

Opinion

In our opinion, 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, 2016 and 2015, 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.

PKF O'Connor Davies, LLP
April 12, 2017

PKF O'CONNOR DAVIES, LLP
3001 Summer Street, 5th Floor East, Stamford, CT 06905 I Tel: 203.323.2400 I Fax: 203.967.8733 I www.pkfod.com

ACE Mentor Program of America, Inc.

Statements of Financial Position

	December 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,122,802	$ 1,520,264
Due from affiliates	59,006	23,584
Other receivable	579	17,959
Pledges receivable	427,500	397,500
Prepaid expenses	74,511	77,102
Total Current Assets	1,684,398	2,036,409
Pledges receivable - noncurrent, net	137,441	377,215
Security deposit	7,645	7,645
Equipment, website development costs and database, net of accumulated depreciation and amortization	170,481	16,772
	$ 1,999,965	$ 2,438,041
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	$ 110,976	$ 105,923
Amounts held on behalf of chapters and affiliates	43,760	44,218
Deferred revenue	78,700	83,500
Total Liabilities	233,436	233,641
Net Assets		
Unrestricted	1,201,558	1,429,685
Temporarily restricted	564,971	774,715
Total Net Assets	1,766,529	2,204,400
	$ 1,999,965	$ 2,438,041

See notes to financial statements

ACE Mentor Program of America, Inc.

Statements of Activities

	Year Ended December 31, 2016			Year Ended December 31, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Contributions	$ 892,624	$ 159,941	$ 1,052,565	$ 956,170	$ 631,622	$ 1,587,792
In-kind services	239,399	-	239,399	222,099	-	222,099
Income from affiliates	354,917	-	354,917	326,882	-	326,882
Net assets released from restrictions	369,685	(369,685)	-	398,600	(398,600)	-
Total Public Support and Revenue	1,856,625	(209,744)	1,646,881	1,903,751	233,022	2,136,773
EXPENSES						
Program services	1,335,048	-	1,335,048	1,087,024	-	1,087,024
General and administrative	595,970	-	595,970	427,728	-	427,728
Fundraising	153,734	-	153,734	176,237	-	176,237
Total Expenses	2,084,752	-	2,084,752	1,690,989	-	1,690,989
Excess of Revenue over Expenses from Operations	(228,127)	(209,744)	(437,871)	212,762	233,022	445,784
Change in Net Assets	(228,127)	(209,744)	(437,871)	212,762	233,022	445,784
NET ASSETS						
Beginning of year, as restated in 2015	1,429,685	774,715	2,204,400	1,216,923	541,693	1,758,616
End of year	$ 1,201,558	$ 564,971	$ 1,766,529	$ 1,429,685	$ 774,715	$ 2,204,400

See notes to financial statements

ACE Mentor Program of America, Inc.

Statements of Functional Expenses

	Year Ended December 31, 2016				Year Ended December 31, 2015			
	Program Services	General and Admini- strative	Fund- raising	Total Expenses	Program Services	General and Admini- strative	Fund- raising	Total Expenses
EXPENSES								
Personnel								
Salaries, benefits and taxes	$ 596,842	$ 233,105	$ 130,218	$ 960,165	$ 525,675	$ 162,341	$ 85,036	$ 773,052
Severence	-	125,000	-	125,000	-	-	-	-
Outsourced services	201,022	129,087	3,605	333,714	158,446	191,307	41,861	391,614
Office and other general expenses	98,507	30,421	15,935	144,863	79,574	24,574	12,872	117,020
Travel	131,891	41,318	3,515	176,724	81,320	12,908	34,852	129,080
Insurance	186,966	11,555	-	198,521	181,774	11,603	-	193,377
Professional fees								
Legal and accounting	7,969	23,906	-	31,875	14,060	24,325	1,265	39,650
Background checks	69,050	697	-	69,747	62,516	-	-	62,516
Forfeited scholarships	-	-	-	-	(53,000)	-	-	(53,000)
Scholarships and grants	-	-	-	-	1,244	-	-	1,244
Chapter leadership awards	39,950	-	-	39,950	33,245	-	-	33,245
Depreciation and amortization	2,851	881	461	4,193	2,170	670	351	3,191
Total Expenses	$ 1,335,048	$ 595,970	$ 153,734	$ 2,084,752	$ 1,087,024	$ 427,728	$ 176,237	$ 1,690,989

See notes to financial statements

ACE Mentor Program of America, Inc.

Statements of Cash Flows

	Years Ended December 31, 2016	Years Ended December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (437,871)	$ 445,784
Adjustments to reconcile change in net assets to net cash from operating activities		
Forfeited scholarships	-	(53,000)
Depreciation and amortization	4,193	3,191
Present value adjustment on pledges receivable	(20,226)	18,378
Changes in operating assets and liabilities		
Accounts receivable	(35,422)	19,243
Other receivable	17,380	(4,551)
Pledges and other receivable	230,000	(281,750)
Prepaid expenses and other assets	2,591	(27,928)
Accounts payable	5,053	43,730
Deferred revenue	(4,800)	18,200
Net Cash from Operating Activities	(239,102)	181,297
CASH FLOWS FROM INVESTING ACTIVITIES		
Database development costs	(157,902)	(12,611)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts held for chapters and affiliates	(458)	(963)
Net Change in Cash and Cash Equivalents	(397,462)	167,723
CASH AND CASH EQUIVALENTS		
Beginning of year	1,520,264	1,352,541
End of year	$ 1,122,802	$ 1,520,264
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash Investing and Financing Activities		
Disposal of fully depreciated equipment	$ 21,544	$ 2,802

See notes to financial statements

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 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.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities income, expenses and disclosures. Accordingly, actual results could differ from those estimates.

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.

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

Equipment, Website Development and Database

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 and database development are similarly capitalized and amortized on a straight-line basis over an estimated life of 3 years. Costs incurred to maintain the website and database 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 at the estimated value of those services if they, 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.

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 2013.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified for consistency with the 2016 presentation. The most significant effect of the reclassifications was to decrease general and administrative expenses and fundraising expenses by $7,735 and $52,212, respectively, and increase program services expenses by $59,947.

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 April 12, 2017.

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 equivalents. 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, 2016, pledges receivable from the five largest contributors, each of which had unfulfilled pledges of $50,000 or more, totaled $425,000. At December 31, 2015, pledges receivable from the three largest contributors, each of which had unfulfilled pledges of $100,000 or more, totaled $550,000.

4. Pledges Receivable

Pledges receivable are summarized as follows as of December 31:

	2016	2015
Pledges receivable due in less than one year	$ 427,500	$ 397,500
Pledges receivable due in one to three years	145,000	405,000
	572,500	802,500
Less unamortized discount on pledges receivable	(7,559)	(27,785)
Total Pledges Receivable, Net of Discount	$ 564,941	$ 774,715

Pledges receivable in more than one year are discounted using discount rates ranging from 3.25% to 5.5% at December 31, 2016 and 2015. Management believes all pledges receivable are collectible in full, and accordingly, no allowance for doubtful accounts has been provided.

5. Equipment, Website Development and Database

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

	2016	2015
Equipment and computers	$ 27,524	$ 47,017
Website development	65,000	65,000
	92,524	112,017
Less accumulated depreciation and amortization	(78,207)	(95,245)
	14,317	16,772
Database development costs, not yet placed in service	156,164	-
	$ 170,481	$ 16,772

6. Contributed Services

During the years ended December 31, 2016 and 2015, ACE received certain services free of charge. Management has estimated the value of these services at $239,399 and $222,099 for the years ended December 31, 2016 and 2015. These amounts are included in the financial statements for the years ended December 31, 2016 and 2015 as follows:

	Program Services	General and Administrative	Fund-Raising	Total
Year Ended December 31, 2016				
Outsourced services				
Website support	$ 87,500	$ 87,500	$ -	$ 175,000
Marketing services	11,060	3,950	790	15,800
Consulting services	21,419	7,650	1,530	30,599
Legal services	4,500	13,500	-	18,000
	$ 124,479	$ 112,600	$ 2,320	$ 239,399
Year Ended December 31, 2015				
Outsourced services				
Website support	$ 107,459	$ 62,685	$ 8,955	$ 179,099
Marketing services	9,600	5,600	800	16,000
Legal services	-	27,000	-	27,000
	$ 117,059	$ 95,285	$ 9,755	$ 222,099

7. Transactions with Chapters and Affiliates

ACE's program activities include the start-up of new chapters and affiliates, training and 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. 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, 2016 and 2015 are as follows:

	2016	2015
Affiliate insurance reimbursement	$ 180,945	$ 177,661
Affiliate background fee reimbursement	67,132	42,021
Administrative fee	106,840	107,200
	$ 354,917	$ 326,882

8. 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, 2016 and 2015 were the result of the passage of time restrictions. Temporarily restricted net assets consist of the following at December 31:

	2016	2015
Available for use in future periods		
General use	$ 572,500	$ 802,500
Discounts to present value	(7,559)	(27,785)
Total Temporarily Restricted Net Assets	$ 564,941	$ 774,715

9. Operating Lease

ACE leases office space under a non-cancelable operating lease that expires in November 2018. 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 at December 31, 2016 are payable as follows:

2017	$ 43,667
2018	41,154
	$ 84,821

Rent expense for all operating leases for the years ended December 31, 2016 and 2015 was $50,576 and $39,860.

10. Pension Plan

Effective April 2016, the Organization began administering a 401(k) defined contribution pension plan through a third party insurance company (the “Plan”). The Plan is open to all employees of the organization who have reached the age of 21 and have completed three months of service at ACE. Employer contributions were made for the year ended December 31, 2016 at rates of 2% to 3% of each participant's compensation. Contributions for the year ended December 31, 2016 were $14,951.

11. Correction of Error

The accompanying financial statements for 2015 have been restated to properly reflect deferred revenue in connection with amounts billed to affiliates. The effect of the restatement was to increase the change in net assets by $18,200 for 2015 and to increase liabilities at December 31, 2015 by $83,500. Unrestricted net assets at the beginning of 2015 have been reduced by $65,300 for the effects of the restatement on prior years.

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