

ACE Mentor Program of America, Inc.

Financial Statements

December 31, 2015 and 2014

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, 2015 and 2014, 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.

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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, 2015 and 2014, 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.

September 22, 2016

ACE Mentor Program of America, Inc.

Statements of Financial Position

	December 31,	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,520,264	\$ 1,352,541
Due from affiliates, net of allowance for doubtful accounts of \$0 and \$15,700	23,584	42,827
Other receivable	12,609	8,058
Pledges receivable	402,850	373,600
Prepaid expenses	77,102	52,085
Total Current Assets	2,036,409	1,829,111
Pledges receivable, noncurrent, net	377,215	143,093
Security deposit	7,645	4,734
Equipment and website development costs, net of accumulated depreciation and amortization	16,772	7,352
	\$ 2,438,041	\$ 1,984,290
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 105,923	\$ 62,193
Scholarships grants, current portion	-	21,750
Amounts held on behalf of chapters and affiliates	44,218	45,181
Total Current Liabilities	150,141	129,124
Scholarships grants, noncurrent	-	31,250
Total Liabilities	150,141	160,374
Net Assets		
Unrestricted	1,513,185	1,282,223
Temporarily restricted	774,715	541,693
Total Net Assets	2,287,900	1,823,916
	\$ 2,438,041	\$ 1,984,290

See notes to financial statements

ACE Mentor Program of America, Inc.

Statements of Activities

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE						
Contributions	\$ 242,420	\$ 1,345,372	\$ 1,587,792	\$ 297,578	\$ 992,687	\$ 1,290,265
In-kind services	222,099	-	222,099	163,400	-	163,400
Income from affiliates	345,082	-	345,082	312,842	-	312,842
Other income	-	-	-	4,511	-	4,511
Net assets released from restrictions	<u>1,112,350</u>	<u>(1,112,350)</u>	<u>-</u>	<u>1,158,750</u>	<u>(1,158,750)</u>	<u>-</u>
Total Public Support and Revenue	<u>1,921,951</u>	<u>233,022</u>	<u>2,154,973</u>	<u>1,937,081</u>	<u>(166,063)</u>	<u>1,771,018</u>
EXPENSES						
Program services	1,027,077	-	1,027,077	1,054,932	-	1,054,932
General and administrative	435,463	-	435,463	396,616	-	396,616
Fundraising	<u>228,449</u>	<u>-</u>	<u>228,449</u>	<u>114,547</u>	<u>-</u>	<u>114,547</u>
Total Expenses	<u>1,690,989</u>	<u>-</u>	<u>1,690,989</u>	<u>1,566,095</u>	<u>-</u>	<u>1,566,095</u>
Change in Net Assets	230,962	233,022	463,984	370,986	(166,063)	204,923
NET ASSETS						
Beginning of year	<u>1,282,223</u>	<u>541,693</u>	<u>1,823,916</u>	<u>911,237</u>	<u>707,756</u>	<u>1,618,993</u>
End of year	<u>\$ 1,513,185</u>	<u>\$ 774,715</u>	<u>\$ 2,287,900</u>	<u>\$ 1,282,223</u>	<u>\$ 541,693</u>	<u>\$ 1,823,916</u>

See notes to financial statements

ACE Mentor Program of America, Inc.

Statements of Functional Expenses

	Year Ended December 31, 2015				Year Ended December 31, 2014			
	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	\$ 525,675	\$ 162,341	\$ 85,036	\$ 773,052	\$ 473,386	\$ 126,236	\$ 31,558	\$ 631,180
Outsourced services	167,446	209,307	41,861	418,614	95,209	156,498	24,641	276,348
Office and other general expenses	79,574	24,574	12,872	117,020	62,442	16,117	4,163	82,722
Travel	81,320	12,908	34,852	129,080	122,997	19,523	52,710	195,230
Insurance	121,827	19,338	52,212	193,377	165,963	23,176	133	189,272
Professional fees								
Legal and accounting	5,060	6,325	1,265	12,650	-	34,000	-	34,000
Background checks	62,516	-	-	62,516	43,112	-	-	43,112
Forfeited scholarships	(53,000)	-	-	(53,000)	-	-	-	-
Scholarships and grants	1,244	-	-	1,244	-	-	-	-
Chapter leadership awards	33,245	-	-	33,245	71,700	-	-	71,700
Bad debt expense	-	-	-	-	-	15,700	-	15,700
Depreciation and amortization	<u>2,170</u>	<u>670</u>	<u>351</u>	<u>3,191</u>	<u>20,123</u>	<u>5,366</u>	<u>1,342</u>	<u>26,831</u>
 Total Expenses	 <u>\$ 1,027,077</u>	 <u>\$ 435,463</u>	 <u>\$ 228,449</u>	 <u>\$ 1,690,989</u>	 <u>\$ 1,054,932</u>	 <u>\$ 396,616</u>	 <u>\$ 114,547</u>	 <u>\$ 1,566,095</u>

See notes to financial statements

ACE Mentor Program of America, Inc.

Statements of Cash Flows

	Years Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 463,984	\$ 204,923
Adjustments to reconcile change in net assets to net cash from operating activities		
Forfeited scholarships	(53,000)	-
Depreciation and amortization	3,191	26,831
Bad debt expense	-	15,700
Present value adjustment on pledges receivable	18,378	(1,837)
Changes in operating assets and liabilities		
Accounts receivable	19,243	9,803
Other receivable	(4,551)	17,671
Pledges and other receivable	(281,750)	192,900
Prepaid expenses and other assets	(27,928)	13,812
Accounts payable	43,730	36,258
Scholarships payable	-	(7,750)
	181,297	508,311
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(12,611)	(8,758)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts held for chapters and affiliates	(963)	(42,548)
Net Change in Cash and Cash Equivalents	167,723	457,005
CASH AND CASH EQUIVALENTS		
Beginning of year	1,352,541	895,536
End of year	\$ 1,520,264	\$ 1,352,541
SUPPLEMENTAL CASH FLOW INFORMATION		
Non-cash Investing and Financing Activities		
Disposal of fully depreciated equipment	\$ 2,802	\$ -

See notes to financial statements

ACE Mentor Program of America, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

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.

Use of 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, 2015 and 2014

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, 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.

ACE Mentor Program of America, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

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 2012.

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 September 22, 2016.

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, 2015, pledges receivable from the three largest contributors, each of which had unfulfilled pledges of \$100,000 or more, totaled \$550,000. At December 31, 2014, pledges receivable from the six largest contributors, each of which had unfulfilled pledges of \$50,000, totaled \$305,000.

ACE Mentor Program of America, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

4. Pledges Receivable

Pledges receivable are summarized as follows as of December 31:

	<u>2015</u>	<u>2014</u>
Pledges receivable due in less than one year	\$ 402,850	\$ 373,600
Pledges receivable due in one to three years	<u>405,000</u>	<u>152,500</u>
	807,850	526,100
Less unamortized discount on pledges receivable	<u>(27,785)</u>	<u>(9,407)</u>
Total Pledges Receivable, Net of Discount	<u>\$ 780,065</u>	<u>\$ 516,693</u>

Pledges receivable in more than one year are discounted using discount rates ranging from 3.25% to 5.5% at December 31, 2015 and 2014. Management believes 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>2015</u>	<u>2014</u>
Equipment and computers	\$ 47,017	\$ 37,208
Website development	<u>65,000</u>	<u>65,000</u>
	112,017	102,208
Less accumulated depreciation and amortization	<u>(95,245)</u>	<u>(94,856)</u>
	<u>\$ 16,772</u>	<u>\$ 7,352</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 periods of up to five years from the date the award is first disbursed.

During the year ended December 31, 2015, forfeited scholarships in the amount of \$53,000 have been reported on the statements of functional expenses.

ACE Mentor Program of America, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

7. Contributed Services

During the years ended December 31, 2015 and 2014, ACE received certain services free of charge. Management has estimated the value of these services at \$222,099 and \$163,400 for the years ended December 31, 2015 and 2014. These amounts are included in the financial statements for the years ended December 31, 2015 and 2014 as follows:

	<u>Program Services</u>	<u>General and Admini- strative</u>	<u>Fund- Raising</u>	<u>Total</u>
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	<u>-</u>	<u>27,000</u>	<u>-</u>	<u>27,000</u>
	<u>\$ 117,059</u>	<u>\$ 95,285</u>	<u>\$ 9,755</u>	<u>\$ 222,099</u>
Year Ended December 31, 2014				
Outsourced services				
Website support	\$ 85,020	\$ 49,595	\$ 7,085	\$ 141,700
Legal services	<u>-</u>	<u>21,700</u>	<u>-</u>	<u>21,700</u>
	<u>\$ 85,020</u>	<u>\$ 71,295</u>	<u>\$ 7,085</u>	<u>\$ 163,400</u>

8. 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, 2015 and 2014 are as follows:

Income from affiliates

	<u>2015</u>	<u>2014</u>
Affiliate insurance reimbursement	\$ 195,861	\$ 166,909
Affiliate background fee reimbursement	42,021	40,553
Administrative fee	<u>107,200</u>	<u>105,380</u>
	<u>\$ 345,082</u>	<u>\$ 312,842</u>

ACE Mentor Program of America, Inc.

Notes to Financial Statements
December 31, 2015 and 2014

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, 2015 and 2014 were the result of the passage of time restrictions. Temporarily restricted net assets consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Available for use in future periods		
General use	\$ 802,500	\$ 551,100
Discounts to present value	<u>(27,785)</u>	<u>(9,407)</u>
Total Temporarily Restricted Net Assets	<u>\$ 774,715</u>	<u>\$ 541,693</u>

10. Operating Lease

ACE leases office space under a non-cancelable operating lease that expires in December 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 are as follows:

2016	\$ 41,975
2017	43,234
2018	<u>44,531</u>
	<u>\$ 129,740</u>

Rent expense for all operating leases for the years ended December 31, 2015 and 2014 was \$39,860 and \$27,004.
