

Stoked Mentoring, Inc.
Financial Statements
June 30, 2013

 **DRAFT**
12/16/14

Index

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 10

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Independent Auditor's Report

To the Board of Directors of
Stoked Mentoring, Inc.

I have audited the accompanying financial statements of Stoked Mentoring, Inc., which comprise the Statement of Financial Position as of June 30, 2013, and the related Statements of Activities, Cash Flows and Functional Expenses 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 control 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stoked Mentoring, Inc., as of June 30, 2013, 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.

December __, 2014

Stoked Mentoring, Inc.
Statement of Financial Position
June 30, 2013

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Assets

Current Assets

Cash	\$ 70,205
Prepaid expenses	5,409
Pledges receivable	18,225
Program service fees and other receivables	11,725
Total Current Assets	<u>105,564</u>

Other Assets

Security deposit	4,900
Property and equipment, net	3,921
Total Other Assets	<u>8,821</u>

Total Assets	<u><u>\$ 114,385</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 43,076
Total Current Liabilities	<u>43,076</u>

Net Assets

Unrestricted	66,309
Temporarily restricted	5,000
Total Net Assets	<u>71,309</u>

Total Liabilities and Net Assets	<u><u>\$ 114,385</u></u>
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See independent auditor's report and accompanying notes to the financial statements.

Stoked Mentoring, Inc.
Statement of Activities
For the Year Ended June 30, 2013

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2013</u>
Support and Revenue			
Contributions - cash	\$ 465,706	\$ 31,500	\$ 497,206
Contributions - property, equipment and services	51,351	-	51,351
	517,057	31,500	548,557
Less: Direct costs of special events	(20,273)	-	(20,273)
	496,784	31,500	528,284
 Program service income	 68,744	 -	 68,744
	565,528	31,500	597,028
 Net Assets released from restrictions: Satisfaction of program restrictions	 26,500	 (26,500)	 -
 Total Support and Revenue	592,028	5,000	597,028
 Expenses			
Program services	487,147	-	487,147
Supporting services:			
General and administrative	56,466	-	56,466
Fund-raising	58,671	-	58,671
Total supporting services	115,137	-	115,137
Total Expenses	602,284	-	602,284
 Change in Net Assets	 (10,256)	 5,000	 (5,256)
Beginning Net Assets	76,565	-	76,565
Ending Net Assets	\$ 66,309	\$ 5,000	\$ 71,309

See independent auditor's report and accompanying notes to the financial statements.

Stoked Mentoring, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2013

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Cash Flows from Operating Activities

Change in Net Assets	\$ (5,256)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	1,623
Donated fixed assets	8,468
Disposal of property	20,324
(Increase) in operating assets:	
Prepaid expenses	(5,409)
Pledges receivable	(18,225)
Program service fees and other receivables	(8,225)
Security deposit	(423)
Increase in operating liabilities:	
Accounts payable	22,737
Net cash provided by operating activities	<u>15,614</u>
Increase in Cash	15,614
Beginning Cash	54,591
Ending Cash	<u><u>\$ 70,205</u></u>

Supplemental Disclosure of Cash Flow Information:

Non-Cash Investing Activities:

In-kind contributions of property, equipment and services	<u><u>\$ 51,351</u></u>
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See independent auditor's report and accompanying notes to the financial statements.

Stoked Mentoring, Inc.
Statement of Functional Expenses
Year Ended June 30, 2013

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	<u>Supporting Services</u>				
<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund-Raising</u>	<u>Direct Costs of Special Events</u>	<u>Total 2013</u>	
Salaries and related expenses	\$ 166,066	\$ 30,336	\$ -	\$ 223,746	
Payroll taxes	14,793	2,799	-	19,991	
Employee benefits	20,323	3,845	-	27,464	
Payroll processing fees	7,617	1,441	-	10,293	
Program and educational supplies	77,709	-	-	77,709	
Occupancy and utilities	29,940	5,122	-	39,395	
Depreciation	1,201	227	-	1,623	
Equipment	20,324	-	-	20,324	
Professional fees	38,814	5,794	2,760	52,473	
Insurance	7,887	1,156	-	10,063	
Catering	-	-	1,407	1,407	
Bank expenses and other	-	5,461	178	5,639	
Event production and other	-	-	12,841	12,841	
Advertising and marketing	1,924	78	89	2,091	
Office supplies and other	34,350	4,138	-	44,063	
Printing and reproduction	4,437	866	2,678	6,284	
Storage	2,394	359	-	3,159	
Telephone and internet expenses	5,413	747	-	7,007	
Postage and mailings	1,694	172	76	2,136	
Travel, meals and entertainment	52,261	959	333	54,849	
	487,147	58,671	20,273	622,557	
Less: Direct costs of special events deducted from income on Statement of Activities	-	-	(20,273)	(20,273)	
Total Expenses	\$ 487,147	\$ 58,671	\$ -	\$ 602,284	

See independent auditor's report and accompanying notes to the financial statements.

Stoked Mentoring, Inc.
Notes to Financial Statements
June 30, 2013

 **DRAFT**

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

STOKED Mentoring Inc. (STOKED), is a not for profit organization whose mission is to promote personal development, academic achievement, and healthy living to under-served youth through action sports culture. Since its inception, STOKED has provided programs to over 3,500 youth in New York City and Los Angeles. STOKED uses the culture and lifestyle of snowboarding, skateboarding, and surfing to provide high potential youth from underserved communities with the skills, relationships, and experiences to close the opportunity gap.

Stoked Mentoring, Inc., was incorporated in the State of New York in 2005.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial Statement Presentation

STOKED reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent revenues and expenses related to the operations and management of STOKED's primary programs and supporting services. If funds are raised and set aside by the Board for future use, these are considered unrestricted. Temporarily restricted contributions that are expended for their restricted purpose in the same reporting period as received may be recorded as unrestricted.

Temporarily restricted net assets represent resources available for use, but expendable only for the purpose specifically stated by the donor. As of June 30, 2013 there were \$5,000 of temporarily restricted net assets.

Permanently restricted net assets are assets subject to donor-imposed stipulations that they be maintained permanently by STOKED. Generally, the donors of these assets permit STOKED to use all or part of the income earned on only related investments for general or specific purpose. As of June 30, 2013 there were no permanently restricted net assets.

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 reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, STOKED considers all highly liquid investments purchased with original maturities of three months or less when purchased to be cash equivalents.

See independent auditor's report

Stoked Mentoring, Inc.
Notes to Financial Statements
June 30, 2013

 **DRAFT**

12/16/14

Note 1 - (Continued)

Cash

Cash consists of demand deposit accounts held at major financial institutions and may at times exceed the insurable amount. Management believes it mitigates its risk by investing in a major financial institution and in funds that are currently U.S. federal government insured. Recoverability of investments is dependent upon the performance of the issuer.

Contributions

Contributions are recognized when the donor makes a promise to give to STOKED that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the same reporting period in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and / or nature of any donor restrictions. Stoked Mentoring, Inc., has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

Income is recognized on an accrual basis when earned.

Pledges and Program Fees Receivable

Pledges and program fees receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. For the year ended June 30, 2013 the allowance for doubtful accounts was \$0.

Property and Equipment

Property and equipment are recorded at cost or, if donated, the approximate fair value at the date of donation. Depreciation is provided on the straight line method over the estimated useful lives of the assets as follow:

Equipment and furniture	5 years
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Expenditures for maintenance and repairs are charged to operations as incurred. Significant renovations and replacements, which improve and extend the life of the assets, are capitalized.

Stoked Mentoring, Inc.
Notes to Financial Statements
June 30, 2013

A logo consisting of a stylized 'D' with horizontal lines inside, followed by the word 'DRAFT' in a bold, sans-serif font.

Note 1 - (Continued)

Income Taxes

Stoked Mentoring, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been provided for in the accompanying financial statement.

Tax Uncertainties

STOKED's policy is to record interest expense and penalties in operating expenses. For the year ended June 30, 2013, there was no interest and penalties expense recorded.

STOKED's Federal Forms 990 are open for examination for the years ended June 30, 2010 and thereafter.

Promises to Give

Unconditional promises to give are recognized in the period received both as revenues or gains and as assets, decreases of liabilities, or expenses, depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the programs and supporting services benefited.

Subsequent Events

In preparing these financial statements, Stoked Mentoring, Inc., has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December __2014, the date the financial statements were available to be issued.

Donated Services

Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by STOKED. Volunteers also provide various services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Note 2 - Employee benefits

Stoked Mentoring, Inc., maintains a 401(k) retirement plan for the benefit of eligible employees. Contributions are made at the discretion of Stoked Mentoring, Inc. No employer contributions are made by Stoked Mentoring, Inc.

Stoked Mentoring, Inc.
Notes to Financial Statements
June 30, 2013

 **DRAFT**

Note 3 - Property and Equipment

Property and equipment consist of:

Office equipment and furniture	\$6,738
Less: accumulated depreciation	<u>(2,817)</u>
Property and Equipment, Net	<u>\$3,921</u>

Depreciation expense was \$1,623 for the year ended June 30, 2013.

Note 4 - Donated Property, Equipment and Services

Donated property, equipment and services consisted of:

Program materials	\$ 48,668
Event	2,383
Marketing / design	<u>300</u>
	<u>\$ 51,351</u>

Note 5 - Commitments

Lease # 1

On March 19, 2012, Stoked Mentoring, Inc., entered into a lease for office space in New York under an operating lease that commenced on April 15, 2012 and expired April 14, 2014.

On March 11, 2014 the lease was renewed for an additional year which commenced April 15, 2014 and expires April 14, 2015.

Future minimum annual lease obligations as of June 30, 2013 are:

Year ending June 30, 2014	\$ 31,192
2015	<u>25,661</u>
	<u>\$ 56,853</u>

Rent expense for the year ended June 30, 2013 was \$30,247.

Lease #2

Stoked Mentoring, Inc. leases office space in California on a month to month basis.

Rent expense for the office space during the year ended June 30, 2013 was \$9,148.

**Stoked Mentoring, Inc.
Notes to Financial Statements
June 30, 2013**

 **DRAFT**

Note 6- Temporarily Restricted Net Assets

Temporarily restricted net assets by revenue source and changes therein for the year ended June 30, 2013 were as follows:

	Balance June 30, <u>2012</u>	<u>Additions</u>	<u>Releases From Restrictions</u>	Balance June 30, <u>2013</u>
Restricted as to purpose:				
Second floor renovation	\$ -	\$ 17,500	\$ 12,500	\$ 5,000
LA outreach and volunteer management	-	14,000	14,000	-
	<u>\$ -</u>	<u>\$ 31,500</u>	<u>\$ 26,500</u>	<u>\$ 5,000</u>