

**Stoked Mentoring, Inc.
Financial Statements
June 30, 2016**

Gary S. Eisenkraft
Certified Public Accountant

**Stoked Mentoring, Inc.
Notes to Financial Statements
June 30, 2016**

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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, 2016, and the related Statements of Activities, Functional Expenses and Cash Flows 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, 2016, 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.

Report on Summarized Comparative Information

I have previously audited Stoked Mentoring, Inc.'s, June 30, 2015 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my audit report dated May 6, 2016. In my opinion, the summarized comparative information presented herein, as of, and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

February 10, 2017

Stoked Mentoring, Inc.
Statement of Financial Position
June 30, 2016
(With Summarized Financial Information for 2015)

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash	\$ 187,662	\$ 229,576
Prepaid expenses	8,496	3,435
Investments in marketable securities	-	18,814
Pledges receivable	75,000	16,500
Program service fees and other receivables	26,070	66,650
Total Current Assets	<u>297,228</u>	<u>334,975</u>
Other Assets		
Security deposit	6,800	6,800
Property and equipment, net	2,738	6,892
Total Other Assets	<u>9,538</u>	<u>13,692</u>
Total Assets	<u>\$ 306,766</u>	<u>\$ 348,667</u>
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable	\$ 68,797	\$ 61,604
Total Current Liabilities	<u>68,797</u>	<u>61,604</u>
Net Assets		
Net Assets		
Unrestricted	237,969	287,063
Total Unrestricted Net Assets	<u>237,969</u>	<u>287,063</u>
Total Liabilities and Net Assets	<u>\$ 306,766</u>	<u>\$ 348,667</u>

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

Stoked Mentoring, Inc.
Statement of Activities
For the Year Ended June 30, 2016
(With Summarized Financial Information for 2015)

	<u>2016</u>	<u>2015</u>
Support and Revenue		
Contributions - cash	\$ 731,740	\$ 846,253
Contributions - property, equipment and services	374,514	105,775
	<u>1,106,254</u>	<u>952,028</u>
Less: Direct costs of special events	(27,460)	(29,430)
	<u>1,078,794</u>	<u>922,598</u>
 Program service income	 150,324	 137,623
Realized gain (loss) on marketable securities	(1,554)	8,952
Investment income	93	26
	<u>1,227,657</u>	<u>1,069,199</u>
 Expenses		
Program services	<u>1,112,424</u>	<u>751,437</u>
Supporting services:		
General and administrative	103,219	53,259
Fund-raising	61,108	97,518
Total supporting services	<u>164,327</u>	<u>150,777</u>
Total Expenses	<u>1,276,751</u>	<u>902,214</u>
 Change in Net Assets	 (49,094)	 166,985
Beginning Net Assets	287,063	120,078
Ending Net Assets	<u>\$ 237,969</u>	<u>\$ 287,063</u>

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

Stoked Mentoring, Inc.
Statement of Functional Expenses
Year Ended June 30, 2016
(With Summarized Financial Information for 2015)

	<u>Supporting Services</u>				<u>Total</u> <u>2016</u>	<u>2015</u>
	<u>Program</u> <u>Services</u>	<u>General</u> <u>and</u> <u>Administrative</u>	<u>Fund-</u> <u>Raising</u>	<u>Direct Costs</u> <u>of Special</u> <u>Events</u>		
Salaries and wages	\$ 372,665	\$ 33,379	\$ 55,000	\$ -	\$ 461,044	\$ 365,448
Payroll taxes and employee benefits	53,794	10,247	-	-	64,041	43,265
Program and educational supplies	417,204	-	-	-	417,204	90,324
Travel, meals and entertainment	67,236	12,500	-	-	79,736	29,015
Professional fees	56,740	14,185	-	-	70,925	51,766
Occupancy and utilities	41,722	13,908	-	-	55,630	58,711
Advertising and marketing	17,424	-	5,808	-	23,232	76,401
Insurance	15,235	5,000	-	-	20,235	23,523
Event production	500	-	-	19,650	20,150	20,051
Bad debts	10,969	3,656	-	-	14,625	32,575
Telephone and internet expenses	13,109	1,456	-	-	14,565	7,474
Supplies and other	10,160	2,200	-	-	12,360	96,007
Venue and catering	3,000	-	-	7,810	10,810	10,259
Interest expense	6,851	2,284	-	-	9,135	4,585
Payroll processing fees	6,621	1,655	-	-	8,276	7,524
Printing and reproduction	7,737	500	-	-	8,237	2,272
Bank charges	5,247	1,749	-	-	6,996	6,832
Depreciation	3,655	500	-	-	4,155	4,682
Postage and mailings	2,542	-	300	-	2,842	561
Storage	13	-	-	-	13	369
	<u>1,112,424</u>	<u>103,219</u>	<u>61,108</u>	<u>27,460</u>	<u>1,304,211</u>	<u>931,644</u>
Less: Direct costs of special events deducted from income on Statement of Activities	-	-	-	(27,460)	(27,460)	(29,430)
Total Expenses	<u>\$ 1,112,424</u>	<u>\$ 103,219</u>	<u>\$ 61,108</u>	<u>\$ -</u>	<u>\$ 1,276,751</u>	<u>\$ 902,214</u>

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Stoked Mentoring, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2016
(With Summarized Financial Information for 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (49,094)	\$ 166,985
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,154	4,682
Realized loss on investments	1,554	-
Unrealized gain on investments	-	(8,952)
Donation of stocks	-	(9,862)
(Increase) decrease in operating assets:		
Prepaid expenses	(5,061)	1,071
Pledges receivable	(58,500)	20,894
Program service fees and other receivables	40,580	(66,650)
Security deposit	-	(1,643)
Increase in operating liabilities:		
Accounts payable	7,193	3,188
Net cash provided, (used in) by operating activities	<u>(59,174)</u>	<u>109,713</u>
 Cash Flows from Investing Activities		
Proceeds from sales of marketable securities	17,260	-
Net cash provided by investing activities	<u>17,260</u>	<u>-</u>
Increase (Decrease) in Cash	(41,914)	109,713
Beginning Cash	229,576	119,863
Ending Cash	<u>\$ 187,662</u>	<u>\$ 229,576</u>
 Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 9,135</u>	<u>\$ 4,585</u>
 Non-Cash Operating Activities:		
In-kind contributions of property and services	<u>\$ 374,514</u>	<u>\$ 105,775</u>

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

Stoked Mentoring, Inc.
Notes to Financial Statements
June 30, 2016

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

Nature of Activities

Stoked Mentoring, Inc. (the Organization), 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, the Organization has provided programs to over 3,500 youth in New York City and Los Angeles. The Organization 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

The Organization 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 the Organization'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, 2016, there were no temporarily restricted net assets.

Permanently restricted net assets are assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on only related investments for general or specific purpose. As of June 30, 2016, 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

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.

See independent auditor's report

Stoked Mentoring, Inc.
Notes to Financial Statements
June 30, 2016

Note 1 - (Continued)

Cash Equivalents

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

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and / or nature of any donor restrictions. The Organization, 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, 2016, 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:

Automobile	3 years
Equipment and furniture	5 years

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.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentations.

Income Taxes

The Organization 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.

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.

See independent auditor's report

Stoked Mentoring, Inc.
Notes to Financial Statements
June 30, 2016

Note 1 - (Continued)

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 February 10, 2017, 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 the Organization. Volunteers also provide various services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Advertising Costs

The Organization expenses advertising costs as incurred.

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.

Note 3 - Property and Equipment

Property and equipment consist of:

Automobile	\$ 10,000
Office equipment and furniture	4,106
Property and equipment, total	<u>14,106</u>
Less: accumulated amortization	<u>(11,368)</u>
Property and equipment, net	<u>\$ 2,738</u>

Depreciation expense was \$4,155 for the year ended June 30, 2016.

Note 4 - Donated Property, Equipment and Services

Donated property, equipment and services consisted of:

Program materials	\$ 368,514
Rental space	<u>6,000</u>
Total	<u>\$ 374,514</u>

See independent auditor's report

Stoked Mentoring, Inc.
Notes to Financial Statements
June 30, 2016

Note 5 - Commitments

On December 10, 2014, the Organizer entered into a lease for office space in New York under an operating lease for a term of three years that commenced January 1, 2015 and expires on December 31, 2017.

As of June 30, 2016, future minimum annual lease obligations are:

Year ending:	June 30, 2017	\$ 44,364
	2018	<u>22,740</u>
Lease obligations, total		<u>\$ 67,104</u>

Rent expense for this lease for the year ended June 30, 2016 was \$ 42,444.

See independent auditor's report