



Audited Financial Statements

June 30, 2015



IRA L. SCHALL, CPA
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Independent Auditors' Report

To the Board of Directors of
MOUSE Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of MOUSE Inc., which comprise the statement of financial position as of June 30, 2015, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 organization'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 organization'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.

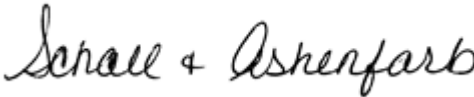
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MOUSE Inc. as of June 30, 2015, 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

We have previously audited MOUSE Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 6, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

December 14, 2015

MOUSE INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2015
(With comparative totals at June 30, 2014)

	<u>6/30/15</u>	<u>6/30/14</u>
Assets		
Cash and cash equivalents	\$131,569	\$164,848
Unconditional promises to give	81,500	15,134
Government grants and fees receivable	513,800	387,659
Investments (Note 3)	1,153,619	1,525,517
Prepaid expenses and security deposit	8,126	9,082
Fixed assets (Note 4)	<u>17,498</u>	<u>0</u>
 Total assets	 <u><u>\$1,906,112</u></u>	 <u><u>\$2,102,240</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$27,116	\$61,304
Deferred rent	27,705	672
Deferred income	<u>7,250</u>	<u>36,345</u>
Total liabilities	<u><u>62,071</u></u>	<u><u>98,321</u></u>
Net assets:		
Unrestricted	1,691,541	1,935,735
Temporarily restricted (Note 5)	<u>152,500</u>	<u>68,184</u>
Total net assets	<u><u>1,844,041</u></u>	<u><u>2,003,919</u></u>
 Total liabilities and net assets	 <u><u>\$1,906,112</u></u>	 <u><u>\$2,102,240</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

MOUSE INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative totals for the year ended June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u> (Note 5)	<u>Total 6/30/15</u>	<u>Total 6/30/14</u>
Public support and revenue:				
Government grants	\$167,384		\$167,384	\$126,072
Contributions	426,125	\$152,500	578,625	581,404
Earned income	574,126		574,126	518,665
In-kind contributions (Note 6)	552,276		552,276	495,579
Special event income	99,651		99,651	0
Interest and dividends	42,240		42,240	46,763
Miscellaneous income	1,342		1,342	145
Net assets released from restrictions	68,184	(68,184)	0	0
Total public support and revenue	1,931,328	84,316	2,015,644	1,768,628
Expenses:				
Program services	1,728,411		1,728,411	1,681,736
Management and general	275,347		275,347	155,278
Fundraising	152,863		152,863	203,888
Total expenses	2,156,621	0	2,156,621	2,040,902
Change in net assets from operating activities	(225,293)	84,316	(140,977)	(272,274)
Non-operating activities:				
Net (loss)/gain on investments	(18,901)		(18,901)	65,892
Total non-operating activities	(18,901)	0	(18,901)	65,892
Change in net assets	(244,194)	84,316	(159,878)	(206,382)
Net assets - beginning of year	1,935,735	68,184	2,003,919	2,210,301
Net assets - end of year	\$1,691,541	\$152,500	\$1,844,041	\$2,003,919

The attached notes and auditors' report are an integral part of these financial statements.

MOUSE INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative totals for the year ended June 30, 2014)

	Program Services	Management and General	Fundraising	Total 6/30/15	Total 6/30/14
Salaries	\$670,635	\$37,414	\$102,036	\$810,085	\$746,984
Payroll taxes and employee benefits	<u>132,614</u>	<u>7,398</u>	<u>20,177</u>	<u>160,189</u>	<u>165,964</u>
 Total salaries and related expenses	 803,249	 44,812	 122,213	 970,274	 912,948
 Program expense	 261,862			 261,862	 333,787
Rent	50,096	2,794	7,623	60,513	110,469
Consultants (including in-kind) (Note 6)	38,378	187,732	5,839	231,949	215,544
Office expense	45,722	2,553	6,955	55,230	42,557
Telephone	14,168	790	2,156	17,114	17,065
Postage	3,593	200	547	4,340	3,181
Leased equipment	2,775	155	422	3,352	3,575
Insurance	4,526	4,312	689	9,527	6,363
Payroll processing		4,171		4,171	2,572
Website hosting (including in-kind) (Note 6)	481,652	16,104	3,012	500,768	373,401
Travel	14,128	788	2,150	17,066	8,157
Bank and credit card charges		5,475		5,475	4,812
Miscellaneous	7,148	5,399	1,087	13,634	6,471
Depreciation	<u>1,114</u>	<u>62</u>	<u>170</u>	<u>1,346</u>	<u>0</u>
 Total expenses	 <u><u>\$1,728,411</u></u>	 <u><u>\$275,347</u></u>	 <u><u>\$152,863</u></u>	 <u><u>\$2,156,621</u></u>	 <u><u>\$2,040,902</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

MOUSE INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(With comparative totals for the year ended June 30, 2014)

	<u>6/30/15</u>	<u>6/30/14</u>
Cash flows from operating activities:		
Change in net assets	(\$159,878)	(\$206,382)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	1,346	0
Net realized & unrealized loss/(gain) on investments	18,901	(65,892)
Changes in assets and liabilities:		
Unconditional promises to give	(66,366)	(1,104)
Government grants and fees receivable	(126,141)	79,041
Prepaid expenses and security deposit	956	19,940
Accounts payable and accrued expenses	(34,188)	1,680
Deferred rent	27,033	(5,874)
Deferred income	(29,095)	35,346
Total adjustments	<u>(207,554)</u>	<u>63,137</u>
Net cash flows used for operating activities	<u>(367,432)</u>	<u>(143,245)</u>
Cash flows from investing activities:		
Purchases of leasehold improvements	(18,844)	0
Purchases of investments (including reinvestment of income)	(39,003)	(142,827)
Sales of investments	392,000	335,000
Net cash flows provided by investing activities	<u>334,153</u>	<u>192,173</u>
Net (decrease)/increase in cash and cash equivalents	(33,279)	48,928
Cash and cash equivalents - beginning of year	<u>164,848</u>	<u>115,920</u>
Cash and cash equivalents - end of year	<u>\$131,569</u>	<u>\$164,848</u>

MOUSE, Inc. did not pay interest or tax expense.

The attached notes and auditors' report are an integral part of these financial statements.

MOUSE INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Organization

MOUSE Inc. is a nonprofit organization located in New York City that empowers underserved youth to learn, lead and create with technology, preparing them with skills essential for their academic and career success. MOUSE Inc.'s primary sources of revenue are contributions, government grants, and program income.

MOUSE Inc. is exempt from taxes under IRS Section 501(c)(3) and has not been designated as a private foundation.

Note 2 - Significant Accounting Policies

a. Basis of Accounting

The financial statements of MOUSE Inc. have been prepared on the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than when received or paid.

b. Basis of Presentation

MOUSE Inc. reports information regarding its financial position and activities according to the following specific classes of net assets:

- *Unrestricted* – represents all activity without donor imposed restrictions.
- *Temporarily restricted* – accounts for activity based on specific donor restrictions that are expected to be satisfied by passage of time or performance of activities. (See Note 5 for details.)

c. Recognition of Income

Contributions are recorded at the earlier of when cash is received or a promise is considered unconditional in nature. Contributions are available for unrestricted use unless specifically restricted by the donor, in which case they are recorded as temporarily restricted. Contributions received with restrictions that expire in the period received are reported as unrestricted. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Contributions of non-cash assets are recorded at fair value.

Government grants are reviewed to determine if they have traits more commonly associated with contributions or exchange transactions. All government grants have been treated as exchange transactions and revenue has been recognized on the accrual basis.

Income earned under licensing and fee for service agreements are classified as “earned income” on the statement of activities. When such agreements contain fixed fees, are non-cancelable, and MOUSE Inc. has no remaining obligations under such agreements, the earning process is deemed completed and revenue is recognized. This includes Department of Education contracts for MOUSE Squad services.

d. Cash and Cash Equivalents

MOUSE Inc. considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

e. Significant Concentrations

Financial instruments which potentially subject MOUSE Inc. to concentration of credit risk consist of cash, money market accounts and investment securities, which have been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. At year-end, there were no material uninsured balances.

The market value of investments is subject to fluctuation and principal is not guaranteed. Management believes the investment policy is prudent for the long-term welfare of MOUSE Inc.

f. Unconditional Promises to Give

MOUSE Inc. records unconditional promises to give at net realizable value when expected to be received within twelve months. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All receivables at year-end are due within one year.

g. Allowance for Doubtful Accounts

MOUSE Inc. bases its allowance for doubtful accounts on its historical loss experience considering the age of the receivables. As of June 30, 2015, management deems all receivables to be collectible and, as such, has not established an allowance for doubtful accounts. Write-offs are charged to expense when all collection efforts have been exhausted.

h. Investments

Investments are recorded at fair value, which refers to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are recognized in the statement of activities.

i. Fixed Assets

Fixed assets that MOUSE Inc. retains title to and capital items purchased which benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation. Leasehold improvements are capitalized and amortized over the life of the lease. Depreciation is computed using the straight-line method over the useful life of the asset.

j. Deferred Income

Program fees collected that relate to future periods are recognized as income in the period earned. In addition, contributions received that are conditional on fundraising

events for future periods are considered deferred income until those events take place.

k. Deferred Rent

MOUSE Inc. recognizes rent expense on the straight-line method and records deferred rent for the cumulative amount that expenses exceed actual payments. In latter stages of the lease, deferred rent will be reduced as the amount of payments exceeds the expense recorded.

l. In-kind Contributions

Donated services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind, are recognized at fair value.

Other board members and individuals volunteer their time and perform a variety of tasks for MOUSE Inc. These services do not meet the criteria for recognition and have not been recognized in the financial statements.

m. Special Event Income

During 2015, MOUSE Inc. was the recipient of the net proceeds of a special fundraising event hosted by a third party for their benefit.

n. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

o. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of MOUSE Inc.

p. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with MOUSE Inc.'s financial statements for the year ended June 30, 2014, from which the summarized information was derived.

q. Accounting for Uncertainty of Income Taxes

MOUSE Inc. does not believe its financial statements include any material, uncertain tax positions. Tax returns for periods ending June 30, 2012 and later are subject to examination by applicable taxing authorities.

r. **Subsequent Events**

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through December 14, 2015, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

Note 3 - Investments

Accounting standards establish a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. All investments were measured using Level 1 inputs, which are the quoted prices in active markets for identical assets. The following summarizes the composition of investments:

	<u>6/30/15</u>	<u>6/30/14</u>
Global Equity mutual funds	\$115,193	\$192,693
Fixed income mutual funds	<u>1,038,426</u>	<u>1,332,824</u>
Total	<u>\$1,153,619</u>	<u>\$1,525,517</u>

Level 1 investments are valued at the closing price reported on the active market that they are traded on.

All dividends received during the year have been reinvested in additional shares.

The following summarizes net (losses)/gains on investments:

	<u>6/30/15</u>	<u>6/30/14</u>
Unrealized (loss)/gain on investments	(\$44,710)	\$55,381
Realized gain on sale of investments	<u>25,809</u>	<u>10,511</u>
	<u>(\$18,901)</u>	<u>\$65,892</u>

Note 4 - Fixed Assets

Fixed assets consist of the following:

	<u>6/30/15</u>	<u>6/30/14</u>
Furniture and equipment (3-5 years)	\$117,643	\$117,643
Leasehold improvements (life of lease)	<u>18,844</u>	<u>0</u>
	136,487	117,643
Less: accumulated depreciation	<u>(118,989)</u>	<u>(117,643)</u>
Total fixed assets, net	<u>\$17,498</u>	<u>\$0</u>

Note 5 - Temporarily Restricted Net Assets

The following summarizes the changes in temporarily restricted net assets:

	<u>June 30, 2015</u>			
	<u>Balance</u> <u>7/1/14</u>	<u>Restricted</u> <u>Contributions</u>	<u>Released</u> <u>From</u> <u>Restrictions</u>	<u>Balance</u> <u>6/30/15</u>
Programs:				
MOUSE Squad/Corp.	\$18,184	\$102,500	(\$18,184)	\$102,500
Time restrictions	<u>50,000</u>	<u>50,000</u>	<u>(50,000)</u>	<u>50,000</u>
Total	<u>\$68,184</u>	<u>\$152,500</u>	<u>(\$68,184)</u>	<u>\$152,500</u>

	<u>June 30, 2014</u>			
	<u>Balance</u> <u>7/1/13</u>	<u>Restricted</u> <u>Contributions</u>	<u>Released</u> <u>From</u> <u>Restrictions</u>	<u>Balance</u> <u>6/30/14</u>
Programs:				
MOUSE Squad/Corp.	\$168,184	\$0	(\$150,000)	\$18,184
Time restrictions	<u>50,000</u>	<u>50,000</u>	<u>(50,000)</u>	<u>50,000</u>
Total	<u>\$218,184</u>	<u>\$50,000</u>	<u>(\$200,000)</u>	<u>\$68,184</u>

Note 6 - In-Kind Contributions

The following table outlines the in-kind services recognized and how they were allocated on the statement of functional expenses:

	<u>June 30, 2015</u>			
	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and</u> <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Website hosting	\$471,517	\$15,539	\$1,470	\$488,526
Consultants	<u>1,500</u>	<u>62,250</u>	<u>0</u>	<u>63,750</u>
Total	<u>\$473,017</u>	<u>\$77,789</u>	<u>\$1,470</u>	<u>\$552,276</u>

	<u>June 30, 2014</u>			
	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and</u> <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Website hosting	\$364,101	\$507	\$2,721	\$367,329
Consultants	52,567	51,390	8,793	112,750
Office expense	<u>12,612</u>	<u>454</u>	<u>2,434</u>	<u>15,500</u>
Total	<u>\$429,280</u>	<u>\$52,351</u>	<u>\$13,948</u>	<u>\$495,579</u>

Note 7 - Commitments and Contingencies

During the year, MOUSE Inc. signed a lease for a new space that expires on April 30, 2022.

The future guaranteed minimum payments on the lease are as follows:

For the year ended:	June 30, 2016	\$98,213
	June 30, 2017	100,668
	June 30, 2018	103,184
	June 30, 2019	107,789
	June 30, 2020	116,593
Thereafter		<u>221,292</u>
Total		<u>\$747,739</u>

MOUSE received an irrevocable standby letter of credit for \$32,400 from a bank in connection with the security deposit required on this lease. The letter has an expiration date of August 1, 2015 with an automatic extension (without written amendment) for one year on an annual basis. The final expiration date of the automatic extension is December 31, 2021. As no drawdowns have been made on this letter of credit during the year, the full amount is outstanding at year-end.

In addition, MOUSE Inc. had an unused line of credit in the amount of \$100,000 at year-end.

Note 8 - Retirement Plan

MOUSE Inc. offers all employees the option of participating in a 403(b) retirement plan whereby the employee can contribute pre-tax dollars up to statutory limits. All full-time employees who have been working for at least one year are eligible. MOUSE Inc. elected to provide an employer match up to 5% of eligible employee salaries which amounted to \$34,154 in 2015 and \$28,711 in 2014. Matching contributions are vested upon three years of service.