



## Audited Financial Statements

June 30, 2017

## **Independent Auditor's 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, 2017, 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***

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 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 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.

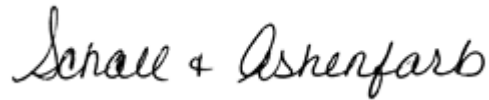
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb  
Certified Public Accountants, LLC

April 18, 2018

**MOUSE INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AT JUNE 30, 2017**  
(With comparative totals at June 30, 2016)

	<u>6/30/17</u>	<u>6/30/16</u>
<b>Assets</b>		
Cash and cash equivalents	\$156,454	\$360,064
Investments (Note 3)	785,906	1,059,850
Unconditional promises to give	156,960	141,102
Government grants and fees receivable	664,775	384,313
Prepaid expenses and security deposit	17,163	31,163
Cash held for letter of credit (Note 8)	32,400	32,400
Fixed assets (Note 4)	<u>88,293</u>	<u>116,388</u>
Total assets	<u><u>\$1,901,951</u></u>	<u><u>\$2,125,280</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$48,668	\$52,479
Deferred rent	39,566	34,863
Deferred income	0	3,998
Total liabilities	<u>88,234</u>	<u>91,340</u>
Net assets:		
Unrestricted	1,656,567	1,719,940
Temporarily restricted (Note 5)	<u>157,150</u>	<u>314,000</u>
Total net assets	<u><u>1,813,717</u></u>	<u><u>2,033,940</u></u>
Total liabilities and net assets	<u><u>\$1,901,951</u></u>	<u><u>\$2,125,280</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**MOUSE INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
(With comparative totals for the year ended June 30, 2016)

	Unrestricted	Temporarily Restricted (Note 5)	Total 6/30/17	Total 6/30/16
<b>Public support and revenue:</b>				
Government grants	\$291,032		\$291,032	\$158,658
Contributions	442,403	\$50,000	492,403	869,362
Earned income	718,256		718,256	603,383
In-kind contributions (Note 7)	561,927		561,927	544,748
Special event income (Note 6) (net of expenses with a direct benefit to donors)	272,488		272,488	65,100
Interest and dividends	27,632		27,632	33,135
Miscellaneous income			0	3,905
Net assets released from restrictions	206,850	(206,850)	0	0
<b>Total public support and revenue</b>	<b>2,520,588</b>	<b>(156,850)</b>	<b>2,363,738</b>	<b>2,278,291</b>
<b>Expenses:</b>				
Program services	2,090,523		2,090,523	1,653,691
Management and general	244,543		244,543	251,058
Fundraising	237,284		237,284	203,323
<b>Total expenses</b>	<b>2,572,350</b>	<b>0</b>	<b>2,572,350</b>	<b>2,108,072</b>
<b>Change in net assets from operating activities</b>	<b>(51,762)</b>	<b>(156,850)</b>	<b>(208,612)</b>	<b>170,219</b>
<b>Non-operating activities:</b>				
Net (loss)/gain on investments	(11,611)		(11,611)	19,680
<b>Total non-operating activities</b>	<b>(11,611)</b>	<b>0</b>	<b>(11,611)</b>	<b>19,680</b>
<b>Change in net assets</b>	<b>(63,373)</b>	<b>(156,850)</b>	<b>(220,223)</b>	<b>189,899</b>
<b>Net assets - beginning of year</b>	<b>1,719,940</b>	<b>314,000</b>	<b>2,033,940</b>	<b>1,844,041</b>
<b>Net assets - end of year</b>	<b>\$1,656,567</b>	<b>\$157,150</b>	<b>\$1,813,717</b>	<b>\$2,033,940</b>

*The attached notes and auditor's report are an integral part of these financial statements.*

**MOUSE INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
(With comparative totals for the year ended June 30, 2016)

	Program Services	Management and General	Fundraising	Total 6/30/17	Total 6/30/16
Salaries	\$804,325	\$34,262	\$121,449	\$960,036	\$847,142
Payroll taxes and employee benefits	<u>182,261</u>	<u>7,764</u>	<u>27,520</u>	<u>217,545</u>	<u>191,415</u>
 Total salaries and related expenses	 986,586	 42,026	 148,969	 1,177,581	 1,038,557
 Program expense	 376,231			 376,231	 181,787
Rent	95,947	4,087	14,487	114,521	113,721
Consultants (including in-kind) (Note 7)	62,815	138,897	20,907	222,619	180,548
Fundraising event expenses			38,906	38,906	0
Office expense	19,082	813	2,881	22,776	28,393
Telephone	11,533	491	1,742	13,766	13,118
Postage	2,825	120	427	3,372	3,965
Leased equipment	4,126	176	623	4,925	4,407
Insurance	5,660	2,127	855	8,642	12,336
Payroll processing		31,642		31,642	4,640
Website hosting (including in-kind) (Note 7)	484,242	9,346	1,225	494,813	488,430
Travel	16,676	710	2,518	19,904	17,254
Bank and credit card charges		10,555		10,555	5,210
Miscellaneous	1,262	2,550	190	4,002	13,013
Depreciation	<u>23,538</u>	<u>1,003</u>	<u>3,554</u>	<u>28,095</u>	<u>2,693</u>
 Total expenses	 <u><u>\$2,090,523</u></u>	 <u><u>\$244,543</u></u>	 <u><u>\$237,284</u></u>	 <u><u>\$2,572,350</u></u>	 <u><u>\$2,108,072</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**MOUSE INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
(With comparative totals for the year ended June 30, 2016)

	<u>6/30/17</u>	<u>6/30/16</u>
Cash flows from operating activities:		
Change in net assets	(\$220,223)	\$189,899
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Depreciation	28,095	2,693
Net realized and unrealized loss/(gain) on investments	11,611	(19,680)
Changes in assets and liabilities:		
Unconditional promises to give	(15,858)	(59,602)
Government grants and fees receivable	(280,462)	129,487
Prepaid expenses and security deposit	14,000	(23,037)
Accounts payable and accrued expenses	(3,811)	25,363
Deferred rent	4,703	7,158
Deferred income	(3,998)	(3,252)
Total adjustments	<u>(245,720)</u>	<u>59,130</u>
Net cash flows (used for)/provided by operating activities	<u>(465,943)</u>	<u>249,029</u>
Cash flows from investing activities:		
Purchases of fixed assets	0	(101,583)
Purchases of investments (including reinvestment of income)	(27,616)	(130,551)
Sales of investments	289,949	244,000
Net cash flows provided by investing activities	<u>262,333</u>	<u>11,866</u>
Net (decrease)/increase in cash and cash equivalents	(203,610)	260,895
Cash and cash equivalents - beginning of year	<u>360,064</u>	<u>99,169</u>
Cash and cash equivalents - end of year	<u><u>\$156,454</u></u>	<u><u>\$360,064</u></u>

Mouse Inc. did not pay interest or tax expense.

*The attached notes and auditor's report are an integral part of these financial statements.*

**MOUSE INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**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.

As described in Note 10, subsequent to year end, Mouse Inc. plans to merge with another non-profit organization. Per terms of the agreement, Mouse Inc. will be the surviving entity.

Mouse Inc. has been notified by the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. They have not been determined to be a private foundation as defined in Section 509(a).

**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 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 the 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. 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. However, contributions received with restrictions that are satisfied or expire in the period received are reported as unrestricted.

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



All government grants have been recognized as income when earned, either based on performance of certain milestones or by incurring expenses that can be reimbursed under the terms of the grant agreement. The difference between cash received and government grant income recognized is reflected as government grants receivable or government grants advances.

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 that 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, 2017, 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.

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 2016, Mouse Inc. was the recipient of the net proceeds of a special fundraising event hosted by a third party for their benefit. In 2017, Mouse Inc. hosted a 20<sup>th</sup> Anniversary benefit. See Note 6.

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, 2016, 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, 2014 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 April 18, 2018, the date the financial statements were available to be issued. All events that 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 have been made. See Note 10.
- s. New Accounting Pronouncement  
 On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the June 30, 2019 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the June 30, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2021 year, requires the full obligation of long term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

Mouse Inc. has not yet evaluated the impact these standards will have on future 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>6/30/17</u>	<u>6/30/16</u>
Global equity mutual funds	\$33,686	\$87,775
Fixed income mutual funds	<u>752,220</u>	<u>972,075</u>
Total	<u>\$785,906</u>	<u>\$1,059,850</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 (loss)/gain on investments:

	<u>6/30/17</u>	<u>6/30/16</u>
Unrealized (loss)/gain on investments	(\$19,371)	\$14,001
Realized gain on sale of investments	<u>7,760</u>	<u>5,679</u>
	<u>(\$11,611)</u>	<u>\$19,680</u>

**Note 4 - Fixed Assets**

Fixed assets consist of the following:

	<u>6/30/17</u>	<u>6/30/16</u>
Furniture and equipment (3-5 years)	\$117,643	\$117,643
Website – Mouse Create (3 years)	101,583	101,583
Leasehold improvements (life of lease)	<u>18,844</u>	<u>18,844</u>
	238,070	238,070
Less: accumulated depreciation	<u>(149,777)</u>	<u>(121,682)</u>
Total fixed assets, net	<u>\$88,293</u>	<u>\$116,388</u>

**Note 5 - Temporarily Restricted Net Assets**

The following summarizes the changes in temporarily restricted net assets:

	<u>June 30, 2017</u>			
	<u>Balance</u>	<u>Restricted</u>	<u>Released</u>	<u>Balance</u>
	<u>7/1/16</u>	<u>Contributions</u>	<u>from</u>	<u>6/30/17</u>
			<u>Restrictions</u>	
Programs:				
Web Literacy	\$30,000	\$0	(\$30,000)	\$0
STEM	<u>234,000</u>	<u>0</u>	<u>(126,850)</u>	<u>107,150</u>
Total programs	264,000	0	(156,850)	107,150
Time restrictions	<u>50,000</u>	<u>50,000</u>	<u>(50,000)</u>	<u>50,000</u>
Total	<u>\$314,000</u>	<u>\$50,000</u>	<u>(\$206,850)</u>	<u>\$157,150</u>

	<u>June 30, 2016</u>			
	<u>Balance</u>	<u>Restricted</u>	<u>Released</u>	<u>Balance</u>
	<u>7/1/15</u>	<u>Contributions</u>	<u>from</u>	<u>6/30/16</u>
			<u>Restrictions</u>	
Programs:				
Mouse Squad/Corp.	\$102,500	\$0	(\$102,500)	\$0
Web Literacy	0	30,000	0	30,000
STEM	<u>0</u>	<u>234,000</u>	<u>0</u>	<u>234,000</u>
Total programs	102,500	264,000	(102,500)	264,000
Time restrictions	<u>50,000</u>	<u>50,000</u>	<u>(50,000)</u>	<u>50,000</u>
Total	<u>\$152,500</u>	<u>\$314,000</u>	<u>(\$152,500)</u>	<u>\$314,000</u>

**Note 6 - Special Event**

During the year ended June 30, 2017, Mouse Inc. hosted a 20<sup>th</sup> Anniversary Benefit. The special event proceeds are summarized as follows:

	Anniversary Benefit
Gross revenue	\$339,370
Less: expenses with a direct benefit to donors	<u>(66,882)</u>
	272,488
Less: other event expenses	<u>(38,906)</u>
Total	<u>\$233,582</u>

**Note 7 - 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, 2017</u>			
	Program Services	Management and General	Fundraising	Total
Website hosting	\$476,127	\$9,000	\$0	\$485,127
Consultants	<u>0</u>	<u>76,800</u>	<u>0</u>	<u>76,800</u>
Total	<u>\$476,127</u>	<u>\$85,800</u>	<u>\$0</u>	<u>\$561,927</u>

	<u>June 30, 2016</u>			
	Program Services	Management and General	Fundraising	Total
Website hosting	\$465,338	\$9,000	\$0	\$474,338
Consultants	<u>0</u>	<u>70,410</u>	<u>0</u>	<u>70,410</u>
Total	<u>\$465,338</u>	<u>\$79,410</u>	<u>\$0</u>	<u>\$544,748</u>

**Note 8 - Commitments and Contingencies**

Mouse Inc. occupies space under a lease that expires on April 30, 2022. The future guaranteed minimum payments on the lease are as follows:

Year ending:	June 30, 2018	\$103,184
	June 30, 2019	107,789
	June 30, 2020	116,593
	June 30, 2021	119,507
	June 30, 2022	<u>101,785</u>
Total		<u>\$548,858</u>

Mouse Inc. received an irrevocable standby letter of credit for \$32,400 from a bank in connection with the security deposit required on this lease. A savings account was opened with the bank for this purpose. The letter has an expiration date of August 1, 2016 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 9 - Retirement Plan**

During the year, Mouse Inc. entered into a PEO (professional employer organization) agreement and terminated its existing 403 (b) plan. Employees were eligible to transfer their account balances from the 403 (b) plan to a new 401 (k) plan sponsored by the PEO. Under this new plan all full-time employees are eligible to contribute pre-tax dollars up to statutory limits beginning on the first day of the month after commencing employment.

Mouse Inc. elected to provide an employer match up to 5% of eligible employee salaries which amounted to \$35,219 in 2017 and \$31,428 in 2016. Matching contributions are vested upon three years of service.

**Note 10 - Subsequent Events**

A plan of merger between Mouse Inc. and another not-for-profit organization has been approved subsequent to year end by both the Mouse Inc. board of directors and the other entity. Mouse Inc. will be the surviving entity and has changed its certificate of incorporation and bylaws to account for this change. The merger is pending approval from the New York State Attorney General's Office.