SCHALL & ASHENFARB Certified Public Accountants, LLC

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DAVID C. ASHENFARB, CPA
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mouse_

# Audited Financial Statements

## June 30, 2021

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# 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. (the "Organization"), which comprise the statement of financial position as of June 30, 2021, 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 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 Mouse Inc. as of June 30, 2021, 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 the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

April 6, 2022

**MOUSE INC.**
**STATEMENT OF FINANCIAL POSITION**
**AT JUNE 30, 2021**
(With comparative totals at June 30, 2020)

| | 6/30/21 | 6/30/20 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $1,440,065 | $1,136,457 |
| Investments (Note 3) | 415,939 | 388,437 |
| Unconditional promises to give | 0 | 15,000 |
| Government grants receivable | 98,526 | 251,377 |
| Program fees receivable | 35,666 | 149,033 |
| Prepaid and other expense | 32,364 | 21,342 |
| Cash held for letter of credit | 0 | 32,400 |
| Fixed assets (Note 4) | 1,567 | 4,260 |
| Total assets | $2,024,127 | $1,998,306 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $52,855 | $35,879 |
| Conditional contributions | 0 | 25,000 |
| Paycheck Protection Program loan (Note 5) | 359,700 | 359,750 |
| Deferred rent | 0 | 28,112 |
| Loan payable (Note 6) | 149,900 | 149,900 |
| Total liabilities | 562,455 | 598,641 |
| Net assets: | | |
| Without donor restrictions | 1,436,672 | 1,086,733 |
| With donor restrictions (Note 7) | 25,000 | 312,932 |
| Total net assets | 1,461,672 | 1,399,665 |
| Total liabilities and net assets | $2,024,127 | $1,998,306 |

*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, 2021**
(With comparative totals for the year ended June 30, 2020)

| | Without Donor Restrictions | With Donor Restrictions (Note 7) | Total 6/30/21 | Total 6/30/20 |
|---|---|---|---|---|
| Public support and revenue: | | | | |
| Government grant - Paycheck Protection Program (Note 5) | $359,750 | | $359,750 | $0 |
| Other government grants | 216,320 | | 216,320 | 646,461 |
| Contributions | 474,695 | $25,000 | 499,695 | 841,427 |
| Earned income | 682,869 | | 682,869 | 864,108 |
| Special event income (Note 8) | 133,609 | | 133,609 | 0 |
| In-kind contributions (Note 2i) | 50,723 | | 50,723 | 0 |
| Interest and dividends | 9,722 | | 9,722 | 9,893 |
| Other income | 1,474 | | 1,474 | 9,842 |
| Net assets released from restrictions | 312,932 | (312,932) | 0 | 0 |
| Total public support and revenue | 2,242,094 | (287,932) | 1,954,162 | 2,371,731 |
| Expenses: | | | | |
| Program services | 1,415,562 | | 1,415,562 | 1,662,881 |
| Management and general | 321,871 | | 321,871 | 383,976 |
| Fundraising | 173,559 | | 173,559 | 265,828 |
| Total expenses | 1,910,992 | 0 | 1,910,992 | 2,312,685 |
| Change in net assets from operating activities | 331,102 | (287,932) | 43,170 | 59,046 |
| Non-operating activities: | | | | |
| Net gain on investments (Note 3) | 23,125 | | 23,125 | 10,713 |
| Loss on lease termination (Note 9) | (4,288) | | (4,288) | 0 |
| Total non-operating activities | 18,837 | 0 | 18,837 | 10,713 |
| Change in net assets | 349,939 | (287,932) | 62,007 | 69,759 |
| Net assets - beginning of year | 1,086,733 | 312,932 | 1,399,665 | 1,329,906 |
| Net assets - end of year | $1,436,672 | $25,000 | $1,461,672 | $1,399,665 |

*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, 2021**
(With comparative totals for the year ended June 30, 2020)

| | Program Services | Management and General | Fundraising | Total 6/30/21 | Total 6/30/20 |
|---|---|---|---|---|---|
| Salaries | $828,042 | $63,965 | $103,901 | $995,908 | $1,502,989 |
| Payroll taxes and employee benefits | 200,696 | 15,503 | 25,183 | 241,382 | 341,695 |
| Program expense | 95,447 | | | 95,447 | 84,561 |
| Rent | 34,029 | 2,628 | 4,270 | 40,927 | 115,388 |
| Consultants (including in-kind)(Note 2i) | 179,032 | 150,782 | 30,500 | 360,314 | 146,182 |
| Fundraising event expenses | | | 4,084 | 4,084 | 0 |
| Office expenses | 61,008 | 7,884 | 3,450 | 72,342 | 60,423 |
| Telephone | 5,502 | 426 | 690 | 6,618 | 13,607 |
| Postage | 646 | 50 | 81 | 777 | 486 |
| Insurance | 8,098 | 626 | 1,016 | 9,740 | 8,074 |
| Website hosting | 823 | 64 | 103 | 990 | 5,533 |
| Travel | | 1,563 | | 1,563 | 12,835 |
| Bank and credit card charges | | 5,638 | | 5,638 | 5,552 |
| Miscellaneous | | 3,739 | | 3,739 | 3,775 |
| Bad debt expense | | 68,830 | | 68,830 | 0 |
| Depreciation | 2,239 | 173 | 281 | 2,693 | 11,585 |
| Total expenses | $1,415,562 | $321,871 | $173,559 | $1,910,992 | $2,312,685 |

*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, 2021**
(With comparative totals for the year ended June 30, 2020)

| | 6/30/21 | 6/30/20 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $62,007 | $69,759 |
| Adjustments to reconcile change in net assets to | | |
| net cash provided by operating activities: | | |
| Depreciation | 2,693 | 11,585 |
| Bad debt expenses | 68,830 | 0 |
| Net realized and unrealized gain on investments | (23,125) | (10,713) |
| Changes in assets and liabilities: | | |
| Unconditional promises to give | 0 | 7,500 |
| Government grants receivable | 112,851 | (19,377) |
| Program fees receivable | 99,537 | (72,158) |
| Prepaid expenses and other expenses | (11,022) | 706 |
| Accounts payable and accrued expenses | 16,976 | (9,055) |
| Conditional contributions | (25,000) | 25,000 |
| Paycheck Protection Program loan | (50) | 359,750 |
| Deferred rent | (28,112) | (11,222) |
| Total adjustments | 213,578 | 282,016 |
| Net cash flows provided by operating activities | 275,585 | 351,775 |
| Cash flows from investing activities: | | |
| Purchases of investments (including reinvestment of income) | (4,377) | (5,597) |
| Net cash flows used for investing activities | (4,377) | (5,597) |
| Cash flows from financing activities: | | |
| Proceeds from loan | | 149,900 |
| Net cash flows provided by financing activities | 0 | 149,900 |
| Net increase in cash and cash equivalents | 271,208 | 496,078 |
| Cash, cash equivalents, and restricted cash - beginning of year | 1,168,857 | 672,779 |
| Cash, cash equivalents, and restricted cash - end of year | $1,440,065 | $1,168,857 |
| Cash, cash equivalents, and restricted cash: | | |
| Cash and cash equivalents | $1,440,065 | $1,136,457 |
| Cash held for letter of credit | 0 | 32,400 |
| Total cash, cash equivalents, and restricted cash | $1,440,065 | $1,168,857 |

Mouse Inc. did not pay interest or income taxes.

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

**Note 1 - Organization**

Mouse Inc. (the "Organization") is a nonprofit organization located in New York City that educates and inspires students and teachers from Black and Latinx communities to succeed in computer science and high-tech careers. The Organization's primary sources of revenue are contributions, government grants, and program income.

The Organization 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 the Organization 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
The Organization reports information regarding its financial position and activities according to the following specific classes of net assets:

- *Net Assets Without Donor Restrictions* – represents all activity without donor-imposed restrictions.

- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact in perpetuity.

c. Revenue Recognition
The Organization follows the requirements of Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recorded at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they are received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met. Conditional contributions at June 30, 2020 consisted of receipts for fundraising events that were held subsequent to year end. There were no conditional contributions at June 30, 2021.

Government grants have been evaluated and are considered to be conditional non-reciprocal transactions that fall under the scope of ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Cash received in advance of the conditions being met is treated as a liability.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

The Organization follows the requirements of FASB's ASC 606 for recognizing revenue from contracts with customers. The Organization receives program income for providing teacher training and professional development workshops which falls under ASC 606 and is included in the statement of activities. Revenue from training and workshops is recognized when at the point in time that the service is provided, and the performance obligation is complete. Fees that have not been collected at year end are reflected as accounts receivable. Amounts collected in advance are treated as deferred revenue.

Receivables are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2021. Write-offs will be made in the period the receivable is deemed to be uncollectable.

d. Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Non-operating activities are limited to the net gain or loss on investments and loss on lease termination.

e. Cash and Cash Equivalents

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

f. Significant Concentrations

Financial instruments that potentially subject the Organization 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. While at year end the Organization had material uninsured balances, management feels they have little risk and the Organization has not experienced any losses due to bank failure.

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 the Organization.

g. 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.

h. Fixed Assets
Fixed assets that the Organization 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.

i. 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. During the year ended June 30, 2021, the Organization received donated legal services of $50,723, which were reported as management and general expenses. The Organization did not receive any in-kind contributions during the year ended June 30, 2020.

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

j. 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.

k. Functional Allocation of Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying 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 the Organization.

Salaries expense is allocated based on time and effort. The following costs are allocated based on salary allocation as the basis:

- Payroll taxes and employee benefits
- Rent
- Office expenses
- Telephone
- Postage
- Insurance
- Website hosting
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

l. 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 the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

m. 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, 2018 and later are subject to examination by applicable taxing authorities.

n. New Accounting Pronouncements
FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* which becomes effective for the June 30, 2022 year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 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.

The Organization is in the process of evaluating 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:

| | 6/30/21 | 6/30/20 |
|---|---|---|
| Global equity mutual funds | $96,319 | $77,850 |
| Fixed income mutual funds | 319,620 | 310,587 |
| Total | $415,939 | $388,437 |

Level 1 investments are valued at the closing price reported on the active market on which they are traded. All dividends received during the year have been reinvested in additional shares.

The following summarizes the net gain on investments:

| | 6/30/21 | 6/30/20 |
|---|---|---|
| Unrealized gain on investments | $17,432 | $6,277 |
| Realized gain on sale of investments | 5,693 | 4,436 |
| Total gain on investments | $23,125 | $10,713 |

**Note 4 - Fixed Assets**

Fixed assets consist of the following:

| | 6/30/21 | 6/30/20 |
|---|---|---|
| Furniture and equipment *(3-5 years)* | $177,035 | $177,035 |
| Website – Mouse Create *(3 years)* | 101,583 | 101,583 |
| Leasehold improvements *(life of lease)* | 57,993 | 57,993 |
| | 336,611 | 336,611 |
| Less: accumulated depreciation | (335,044) | (332,351) |
| Total fixed assets, net | $1,567 | $4,260 |

**Note 5 - Paycheck Protection Program Loan**

During the year ended June 30, 2020, the Organization obtained a loan of $359,750 from the Small Business Administration ("SBA") through the Paycheck Protection Program ("PPP"). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were not less than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven.

The Organization accounted for the PPP loan in accordance with ASC 958-605 as a conditional contribution. During the year ended June 30, 2021, The Organization met all conditions for forgiveness and recognized the loan as revenue. In addition, the Organization was notified that full forgiveness was approved by the SBA.

During the year ended June 30, 2021, the Organization obtained a second loan from the SBA in the amount of $359,700 through the Paycheck Protection Program that had similar terms as the first loan. The Organization met the conditions for full forgiveness subsequent to year end and will recognize the revenue in fiscal year 2022.

**Note 6 - Loan Payable**

On June 19, 2020, the Organization obtained an Economic Injury Disaster loan ("EIDL") from the SBA with an interest rate of 2.75%. The loan has a maturity of 30 years with a deferment of payments for the first 24 months. All tangible and intangible property of the organization serve as collateral for the loan.

Minimum scheduled principal payments are as follows:

| | | |
|---|---|---|
| Year ending: | June 30, 2022 | $297 |
| | June 30, 2023 | 3,614 |
| | June 30, 2024 | 3,714 |
| | June 30, 2025 | 3,818 |
| | June 30, 2026 | 3,924 |
| | Thereafter | 134,533 |
| | Total | $149,900 |

## Note 7 - Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions:

| | June 30, 2021 | | | |
|---|---|---|---|---|
| | Balance 7/1/20 | Restricted Contributions | Released from Restrictions | Balance 6/30/21 |
| Purpose restricted: | | | | |
| Mouse Create | $312,932 | $25,000 | ($312,932) | $25,000 |
| Total | $312,932 | $25,000 | ($312,932) | $25,000 |

| | June 30, 2020 | | | |
|---|---|---|---|---|
| | Balance 7/1/19 | Restricted Contributions | Released from Restrictions | Balance 6/30/20 |
| Purpose restricted: | | | | |
| Mouse Create | $203,000 | $312,932 | ($203,000) | $312,932 |
| STEM | 75,000 | 0 | (75,000) | 0 |
| Total | $278,000 | $312,932 | ($278,000) | $312,932 |

## Note 8 - Special Event

The Organization hosts an annual fundraising event, Diversity in Tech Awards. Due to the coronavirus pandemic, the event originally scheduled to take place during fiscal year 2020 was changed to a virtual event that took place in October 2020.

A financial summary of this event is as follows:

| | 6/30/21 |
|---|---|
| Gross revenue | $133,609 |
| Less: other event expenses | (4,084) |
| Total | $129,525 |

## Note 9 - Commitments and Contingencies

The Organization occupied office space under a lease agreement that was set to expire on April 30, 2022. During the year ended June 30, 2021, the Organization and landlord agreed to terminate the lease. The net effect of the lease termination fee and deferred rent associated with this space are reflected as a non-operating loss on the statement of activities.

In addition, the Organization had an unused line of credit in the amount of $100,000 at year end. The line matures in 2030. There was no outstanding balance on this line of credit at June 30, 2021 and June 30, 2020.

## Note 10 - Retirement Plan

The Organization leases employees through a professional employer organization ("PEO") agreement. Employees are eligible to participate in a 403 (b) plan sponsored by the PEO. Under this 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.

The Organization elected to provide an employer match of up to 5% of eligible employee salaries which amounted to $31,764 in 2021 and $57,920 in 2020. Matching contributions are vested immediately.

**Note 11 - Availability and Liquidity**

The Organization maintains cash on hand to be available for its general expenditures and other obligations for on-going operations. As part of its liquidity management, the Organization operates its programs within a board approved budget and relies on government grants, contributions, and earned income to fund its operations and program activities. In addition, the Organization had an unused line of credit in the amount of $100,000 at year end.

The following reflects the Organization's financial assets at June 30, 2021 that are available to meet cash needs for general expenditures within one year:

| | | |
|---|---|---|
| Financial assets at year-end: | | |
| Cash and cash equivalents | $1,440,065 | |
| Investments | 415,939 | |
| Government grants receivable | 98,526 | |
| Program fees receivable | 35,666 | |
| Total financial assets | | $1,990,196 |
| Less amounts not available for general expenditures – Donor contributions restricted to specific purposes | | (25,000) |
| Financial assets available to meet cash needs for operations within one year | | $1,965,196 |

**Note 12 - Subsequent Events**

Subsequent events have been evaluated through April 6, 2022, the date the financial statements were available to be issued. Adjustments and disclosures have been made for all subsequent events that have occurred.

**Note 13 - Other Matters**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted, however, supply chains remain impacted. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact cannot be quantified.