

MENTORKIDS USA
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011

**MENTORKIDS USA
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YEAR ENDED MARCH 31, 2010**

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
MentorKids USA
Scottsdale, Arizona

We have compiled the accompanying balance sheet of MentorKids USA as of March 31, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there were no material modifications that should be made to the financial statements.

As disclosed in Note 8 to the financial statements, certain errors and omissions were identified resulting in adjustments to cash, pledges receivable, accounts payable and unrestricted and temporarily restricted net assets as of March 31, 2010. Accordingly, adjustments have been made to properly reflect net assets as of April 1, 2010.

We are not independent with respect to MentorKids USA.

A handwritten signature in cursive script that reads 'CliftonLarsonAllen LLP'.

CliftonLarsonAllen LLP

Mesa, Arizona
February 24, 2012

MENTORKIDS USA
BALANCE SHEET
MARCH 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	-
Pledges Receivable		35,325
Inventory		1,526
Prepaid Expenses		1,613
Total Current Assets		<u>38,464</u>

LONG TERM ASSETS

Property and Equipment, Net		920
Intangible Assets, Net		14,999
Total Long Term Assets		<u>15,919</u>

Total Assets	\$	<u><u>54,383</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Checks Written in Excess of Cash	\$	4,564
Accounts Payable		15,065
Accrued Expenses		5,157
Total Liabilities		<u>24,786</u>

NET ASSETS

Unrestricted		<u>29,597</u>
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Total Liabilities and Net Assets	\$	<u><u>54,383</u></u>
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See accompanying Notes to Financial Statements.

MENTORKIDS USA
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

	Unrestricted	Temporarily Restricted	Total
OPERATING SUPPORT AND REVENUE			
Public Support:			
Contributions	\$ 345,601	\$ -	\$ 345,601
In-Kind Contributions	18,240	-	18,240
Total Public Support	363,841	-	363,841
Revenue:			
Other	3,560	-	3,560
Total Revenue	3,560	-	3,560
Total Operating Support and Revenue	367,401	-	367,401
OPERATING EXPENSES			
Program Services:			
Mentoring Programs	299,414	-	299,414
Support Services:			
Management and General	53,754	-	53,754
Fundraising	25,669	-	25,669
Total Support Services	79,423	-	79,423
Total Operating Expense	378,837	-	378,837
CHANGE IN NET ASSETS	(11,436)	-	(11,436)
Net Assets - Beginning - As Previously Reported	29,127	42,515	71,642
Restatement	11,906	(42,515)	(30,609)
Net Assets - Beginning - As Restated	41,033	-	41,033
NET ASSETS - END OF YEAR	\$ 29,597	\$ -	\$ 29,597

See accompanying Notes to Financial Statements.

MENTORKIDS USA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

	Program Services	Support Services			Total
	Mentoring	Management and General	Fundraising	Total Support Services	
		General	Fundraising	Total Support Services	
Salaries and Wages	\$ 173,351	\$ 15,110	\$ 4,983	\$ 20,093	\$ 193,444
Payroll Tax	8,190	3,510	-	3,510	11,700
Benefits	18,931	1,974	1,569	3,543	22,474
Total Salaries, Wages, and Related Expenses	200,472	20,594	6,552	27,146	227,618
Professional and Outside Services	3,576	1,819	-	1,819	5,395
Contract Labor	3,353	300	300	600	3,953
Bank Charges	832	623	623	1,246	2,078
Insurance	7,199	2,364	-	2,364	9,563
Repairs and Maintenance	203	-	-	-	203
Fingerprinting and Background Checks	411	-	-	-	411
Fundraising Fees	-	-	5,297	5,297	5,297
Gifts and Recognition	465	-	-	-	465
Grants and Scholarships	14,108	-	-	-	14,108
Match Activities	4,664	-	-	-	4,664
Meetings and Conferences	6,935	851	10,394	11,245	18,180
Membership and Mileage	5,180	730	154	884	6,064
Miscellaneous	100	356	-	356	456
Rent	13,247	1,800	900	2,700	15,947
Printing and Postage	1,159	592	193	785	1,944
Promotional Materials	-	-	199	199	199
Staff Development	631	-	-	-	631
Supplies	5,224	615	263	878	6,102
Telecommunications	8,768	1,289	794	2,083	10,851
Bad Debt Expense	-	21,821	-	21,821	21,821
Depreciation	4,647	-	-	-	4,647
Total Expense Before In-Kinds	281,174	53,754	25,669	79,423	360,597
In-Kind Expenses:					
Match Activities	18,240	-	-	-	18,240
 Total Expenses	 <u>\$ 299,414</u>	 <u>\$ 53,754</u>	 <u>\$ 25,669</u>	 <u>\$ 79,423</u>	 <u>\$ 378,837</u>

See accompanying Notes to Financial Statements.

MENTORKIDS USA
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (11,436)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	4,647
(Increase) Decrease in Assets:	
Proceeds on Sale of Fixed Assets	-
Pledges Receivable	(13,504)
Prepaid Expenses	(1,178)
Inventory	1,119
Increase (Decrease) in Liabilities:	
Checks Written in Excess of Cash	4,564
Accounts Payable	15,424
Accrued Expenses	(3,522)
Net Cash Used by Operating Activities	<u>(3,886)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Property and Equipment	<u>(1,022)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,908)
Cash and Cash Equivalents - Beginning of Year	<u>4,908</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

MENTORKIDS USA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

MentorKids USA (the Organization) was formed in December 1996 under the laws of state of Arizona. The Organization's mission is to restore youth at risk of becoming chronic offenders, to youth with productive relationship with their families, communities and Creator through one-on-one mentoring.

Financial Statement Presentation

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. These resources are not subject to donor-imposed stipulations.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permit the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

As of March 31, 2011, the Organization had only unrestricted net assets.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At times the Organization's cash and cash equivalent balances may exceed federal deposit insurance limits.

Pledges Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. There were no promises to give that were expected to be collected in future years. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Inventories

Inventory consists of primarily of supplies for the annual golf tournaments and is stated at the lower of cost or market, determined by the first-in, first-out method.

MENTORKIDS USA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair market value at date of donation in the case of donated property. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment is depreciated over the lives of the assets using the straight-line method. Leasehold improvements are depreciated over the shorter of the lease term or their useful life. Donated assets are carried at the approximate fair value of the date of donation.

Intangible Assets

Intangible assets consist of the costs to develop a trademark and website for the Organization. The total costs of the projects are amortized on a straight line basis.

Contributions

Unrestricted contributions are available for general organizational use and are recognized as unrestricted revenue. The Organization reports gifts of land, building and equipment, if any, as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service. Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 restrictions.

In-Kind Contributions

Donated items are recorded at estimated fair value at date of receipt.

The Organization receives tickets and discounts for events, which are used in its match activities. These activities would have otherwise been purchased by the Organization, had they not been donated. Accordingly, the value of these donations for the year of \$18,240 has been recorded in the financial statements. In addition, volunteers have donated approximately 16,600 hours of time to the Organization's mentoring program. These volunteer hours have not been recorded in the financial statements as they do not qualify for recording under accounting standards guidelines.

Functional Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated on the best estimates of management.

MENTORKIDS USA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Status

The Organization is a tax-exempt Council under Section 501(c)(3) of the Internal Revenue Code and similar Arizona statutes. The Organization is not deemed a private foundation and contributions to the Organization are considered tax deductible.

The Organization follows the income tax standard for uncertain tax positions. Under this standard, the Organization recognized no liability for uncertain tax positions.

As of March 31, 2011, the Organization's fiscal year 2008 and 2010 tax returns are open for examination by the IRS.

NOTE 2 PLEDGES RECEIVABLE

The Organization had a pledge campaign to raise operation funds. The remaining balances on these pledges is considered collectible and is expected to be received within the next year.

NOTE 3 PROPERTY AND EQUIPMENT

Property and Equipment at March 31, 2011 consist of the following:

		Estimated Useful Lives
Furniture and Equipment	\$ 7,565	3-5 years
Less: Accumulated Depreciation	(6,645)	
Property and Equipment, Net	\$ 920	

MENTORKIDS USA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 4 INTANGIBLE ASSETS

Intangible assets consist of the following as of March 31, 2011.

		<u>Estimated Useful Lives</u>
Trademark	\$ 25,685	10 years
Logo	957	10 years
Database Software	11,375	10 years
Website	<u>5,883</u>	10 years
Total Intangible Assets	43,900	
Less: Accumulated Amortization	28,901	
Net Intangible Assets	<u><u>\$ 14,999</u></u>	

NOTE 5 SIMPLE IRA PLAN

The Organization established a savings incentive match plan for employees ("SIMPLE") in 2002. The Organization matches full-time employee's elective contributions to the IRA account up to 3% of the employee's compensation. The Organization's expense for the plan during the year was \$1,223.

NOTE 6 LEASE COMMITMENTS

The Organization leases office space on a month-to-month basis. Total rent expense was \$9,000 for the year ended March 31, 2011.

NOTE 7 CONCENTRATION OF CONTRIBUTIONS

During the year, the Organization received approximately 43% of its total contributions, excluding in-kind contributions, from three donors.

MENTORKIDS USA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 8 CORRECTION OF ERRORS

During the year ended March 31, 2011, errors and omissions were identified requiring adjustments to net assets as of March 31, 2010. The errors identified included adjustments to cash, pledges receivable and accounts payable.

Net Assets as Previously Reported	\$ 71,642
Cash	(22,048)
Pledges Receivable	(13,025)
Accounts Payable.	4,464
Net Assets as Restated	<u>\$ 41,033</u>

In addition, an error was made reporting temporarily restricted net assets as of March 31, 2010. An adjustment has been made to decrease temporarily restricted net assets and increase unrestricted net assets by \$42,515.