

**EYE TO EYE, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

MILLER & COMPANY, P.C.
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Independent Auditor's Report

The Board of Directors
Eye To Eye, Inc.

Report on the Financial Statements

We have audited the accompanying statements of financial position of Eye To Eye, Inc. ("Eye To Eye") for the years ended June 30, 2017 and 2016, and the related statements of activities, cash flows and functional expenses for the years 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 of 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 Eye To Eye'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 Eye To Eye'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 in the first paragraph present fairly, in all material respects, the financial position of Eye To Eye, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Miller & Company, P.C.

August 2, 2017

EYE TO EYE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>Current assets:</u>		
Cash and cash equivalents	\$ 437,562	\$ 567,643
Receivables, current	1,470,740	-
Prepaid expenses	20,167	5,453
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Total current assets	1,928,469	573,096
Receivables, noncurrent	1,610,000	-
Security deposit	26,135	26,135
Furniture and office equipment, net	20,681	21,125
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Total assets	<u>\$ 3,585,285</u>	<u>\$ 620,356</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 37,879	\$ 10,159
Employee benefits withheld and payable	1,265	-
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Total current liabilities	39,144	10,159

Net assets:

Unrestricted	465,401	610,197
Temporarily restricted	3,080,740	-
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Total net assets	3,546,141	610,197

TOTAL LIABILITIES AND NET ASSETS

<u>\$ 3,585,285</u>	<u>\$ 620,356</u>
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The accompanying notes are an integral part of these financial statements.

EYE TO EYE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Revenue:		
Support from the public:		
Direct public contributions	\$ 2,103,732	\$ 778,524
Grants (including \$2,500 from corporations in 2017)	3,275,956	1,311,445
Total direct public support (\$3,080,740 temporarily restricted in 2017 and all unrestricted in 2016)	5,379,688	2,089,969
Contributed in-kind services	10,790	-
Investment income - interest	352	484
Total public revenue	<u>5,390,830</u>	<u>2,090,453</u>
Expenses:		
Program services:		
Mentoring programs by growing a national network of school-based mentoring sites designed to empower students across the country that support the unique needs of students with learning disabilities and attention deficit hyperactivity disorder	1,546,699	1,300,678
Outreach and community services by engaging students, families and educators through targeted events, skilled storytellers and a suite of resources to reach broader audiences and directly influence the school environments in which students with learning disabilities learn	225,937	124,030
Culture changes by leveraging various forms of media and a network of influencers to raise awareness, increase understanding of learning disabilities, while fostering a sense of community and promoting positive role models	187,253	35,428
Total program services	<u>1,959,889</u>	<u>1,460,136</u>
Supporting services:		
Management and general - direction of the overall affairs of Eye To Eye through executive, financial, and administrative services	150,768	332,287
Fund-raising - expenses incurred to secure charitable financial support from the public for programs and supporting services	344,229	137,839
Total supporting services	<u>494,997</u>	<u>470,126</u>
Total program and supporting services expenses	<u>2,454,886</u>	<u>1,930,262</u>
Increase in net assets	2,935,944	160,191
Total net assets - beginning of year	<u>610,197</u>	<u>450,006</u>
Total net assets - end of year	<u>\$ 3,546,141</u>	<u>\$ 610,197</u>

The accompanying notes are an integral part of these financial statements.

EYE TO EYE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities:</u>		
Increase in net assets	\$ 2,935,944	\$ 160,191
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,089	550
(Increase) in receivables	(3,080,740)	-
(Increase) in prepaid expenses	(14,714)	(2,663)
Increase in accounts payable and accrued expenses	27,720	626
Increase in employee benefits withheld and payable	1,265	-
Net cash (used in) provided by operating activities	<u>(129,436)</u>	<u>158,704</u>
<u>Cash flows from investing activities:</u>		
Disposal of office furniture and equipment	21,125	-
Purchase of office furniture and equipment	<u>(21,770)</u>	<u>(4,169)</u>
Net cash (used in) investing activities	<u>(645)</u>	<u>(4,169)</u>
Increase (decrease) in cash and cash equivalents	(130,081)	154,535
Cash and cash equivalents - beginning of year	<u>567,643</u>	<u>413,108</u>
Cash and cash equivalents - end of year	<u>\$ 437,562</u>	<u>\$ 567,643</u>

The accompanying notes are an integral part of these financial statements.

EYE TO EYE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	SUPPORTING SERVICES			TOTAL 2017	TOTAL 2016
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING		
EXPENSES:					
Business registration fees	\$ -	\$ 50	\$ -	\$ 50	\$ 125
Liability insurance	25,456	1,520	3,156	30,132	18,319
Employee benefits and insurance	83,820	7,610	15,756	107,186	76,632
Meetings, conferences and other program costs	428,305	4,884	38,376	471,565	606,187
Occupancy (including \$1,089 depreciation)	133,965	11,436	23,160	168,561	123,882
Office expenses	70,844	1,297	4,518	76,659	36,496
Bank and merchant processing fees	1,525	2,318	6,002	9,845	22,022
Payroll taxes and processing fees	98,298	8,925	18,479	125,702	65,628
Pension expense	36,339	3,299	6,831	46,469	51,687
Postage and mailing costs	7,921	54	4,584	12,559	5,569
Printing and publications	5,494	353	541	6,388	2,510
Professional fees, marketing and promotion	151,299	19,214	50,228	220,741	96,335
Salaries	848,291	78,746	160,398	1,087,435	800,418
Telephone, social media and technology	68,332	11,062	12,200	91,594	24,452
	<u>\$ 1,959,889</u>	<u>\$ 150,768</u>	<u>\$ 344,229</u>	<u>\$ 2,454,886</u>	<u>\$ 1,930,262</u>
Total program and supporting services expenses					

The accompanying notes are an integral part of these financial statements.

Note 1 - **Organization and significant accounting policies**

Organization

Eye To Eye, Inc. (“Eye To Eye”) is the only national mentoring, outreach, and advocacy movement run by and for individuals with learning disabilities which strives to improve the lives of students with learning disabilities and empowers these students to help them find success and celebrate their differences.

Accounting pronouncements and basis of accounting

Eye To Eye prepares its financial statements using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America for not-for-profit entities. The significant accounting and reporting policies used by Eye To Eye are described subsequently to enhance the usefulness and understandability of the financial statements.

Cash and cash equivalents

Eye To Eye considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed. No allowance for doubtful contributions receivable has been established since Eye To Eye has not experienced any uncollectable contributions based on historical results.

Contributions are reported as increases in unrestricted net assets unless use of the contributed assets are specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as increases in temporarily restricted net assets. When a donor restriction is met or a stipulated time period expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. During the year ended June 30, 2017,

Note 1 - Organization and significant accounting policies (continued)

Contributions receivable (continued)

contributions that are expected to be collected in more than one year amounted to \$1,610,000. For the year ended June 30, 2016, all contributions received were available for unrestricted use.

For the years ended June 30, 2017 and 2016, Eye To Eye had no permanently restricted net assets.

Contributed services

During the year ended June 30, 2017, a number of volunteers have made contributions of their time to Eye To Eye's programs and supporting services. The value of these in-kind contributed services are reflected in the financial statements. During the year ended June 30, 2016 this was deemed to be immaterial and is not reflected in the financial statements.

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, Eye To Eye's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Eye To Eye's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Concentration of credit risk

Eye To Eye's financial instruments that are potentially exposed to credit risk consist of cash. Eye To Eye places its cash and cash equivalents with what it believes to be quality financial institutions and Eye To Eye has not experienced any losses in such accounts to date. Eye To Eye's management monitors its cash and cash equivalents on an ongoing basis. As a result, management believes the concentrations of credit risk are limited.

Note 1 - **Organization and significant accounting policies (continued)**

Furniture and office equipment

Furniture and office equipment are reported in the statement of financial position at cost. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is five years. When an asset is disposed of, the cost and related accumulated depreciation is written off and any gain or loss is recognized. During the year ended June 30, 2017 a loss was recognized in the amount of \$21,125 on the disposal of obsolete furniture and equipment. There were no such disposals for the year ended June 30, 2016.

Comparative financial information

The financial statements include certain prior year summarized comparative financial information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America. Accordingly, such information should be read in conjunction with the Eye To Eye financial statements for the year ended June 30, 2016, from which the summarized comparative financial information was derived. In addition, some of the financial statement wording has been changed to conform to Eye To Eye's current expanded mission.

Grant revenue

Grant revenue is recognized as a contribution in the same manner as contributions receivable are as noted above.

Expense recognition and allocation

The cost of providing Eye To Eye's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program are charged directly to that program. Costs common to multiple functions have been allocated among the various functions benefited on the basis of periodic time or usage estimates.

Management and general expenses include those costs that are not directly

EYE TO EYE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 - Organization and significant accounting policies (continued)

Expense recognition and allocation (continued)

identifiable with any specific program, but which provide for the overall support and direction of Eye To Eye.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Eye To Eye generally does not conduct its fundraising activities in conjunction with its other activities. If it does then the costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, marketing and promotion costs are expensed as incurred.

Note 2 - Furniture and office equipment

Furniture and office equipment consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
Furniture and office equipment	\$ 21,770	\$ 52,043
Less accumulated depreciation	<u>(1,089)</u>	<u>(30,918)</u>
	<u>\$ 20,681</u>	<u>\$ 21,125</u>

Note 3 - Commitments

Eye To Eye entered into an operating lease for the rental of office space that expired on May 31, 2017 for its headquarters and was subsequently on a month-to-month basis. Eye To Eye entered into a new operating lease commencing on August 1, 2017. Eye To Eye will be required to pay a base rent of \$16,976.25 per month (plus escalation) plus utilities and certain other costs. The minimum annual payments required under the lease agreement for Eye To Eye (net of rent concessions) are as follows:

EYE TO EYE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 - Commitments (continued)

<u>Year Ended</u>	
June 30, 2018	\$ 135,810
June 30, 2019	209,317
June 30, 2020	215,073
June 30, 2021	215,022
June 30, 2022	241,020
Thereafter	763,561
Total	<u>\$1,779,803</u> =====

During the year ended June 30, 2017, Eye To Eye opened an office in Berkeley, CA and is subleasing its office space on a month-to-month basis.

For the years ended June 30, 2017 and 2016, rent expense totaled \$135,589 and \$113,743, respectively, and is included in occupancy costs in the statement of functional expenses.

Note 4 - Related party transactions

An employee of Eye To Eye serves as a member of the Board of Directors. For the year ended June 30, 2017, payments made to this employee totaled approximately \$161,000.

Note 5 - Retirement plan

Eye To Eye sponsors a defined contribution tax-deferred 401(k) pension plan (the "Plan"). All employees are eligible to participate in the Plan after one year of service if they are at least 21 years of age and work 1,000 hours per year. If an employee contributes to the Plan, Eye To Eye will contribute up to 8% of the employee's gross salary. Total pension expense for the years ended June 30, 2017 and 2016 was \$46,469 and \$51,687, respectively.

Note 6 - Line of credit

On March 28, 2016, Eye To Eye executed a \$250,000 secured line of credit with its primary financial institution bearing interest at 5% which was collateralized by all

EYE TO EYE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Note 6 - Line of credit (continued)

business assets of Eye To Eye. The interest rate is subject to monthly adjustment based on the financial institution's index and margin added to the index to arrive at the annual interest rate. Eye To Eye paid an administrative fee to the financial institution upon execution of the agreement of \$1,250 which is included in professional fees, marketing and promotion in the statement of functional expenses for the year ended June 30, 2016. Eye To Eye pays an annual fee, thereafter, to the financial institution of \$ 625, which is included in professional fees, marketing and promotion in the statement of functional expenses for the year ended June 30, 2017.

Eye To Eye has not utilized this working capital line of credit and, therefore, at June 30, 2017 and 2016 there were no amounts outstanding.

Note 7 - Tax status

Eye To Eye has received a determination letter from the Internal Revenue Service that it is exempt from income tax under Section 501(a) of the U.S. Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3). In addition, Eye To Eye has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation within the meaning of Section 509(a) of the Code. Contributions to Eye To Eye are tax deductible to donors under Section 170 of the Code. Eye To Eye is not classified as a private foundation.

As of June 30, 2017, no amounts have been recognized for uncertain income tax positions. Eye To Eye's tax returns for the 2013 year end and forward are subject to review by the appropriate taxing authorities.

Note 8 - Subsequent events

Subsequent events have been evaluated through August 2, 2017, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.