



**FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**SILVER LINING MENTORING, INC.**

**Contents**  
**December 31, 2016 and 2015**

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Independent Auditor's Report

To the Board of Directors of  
Silver Lining Mentoring, Inc.:

**Report on the Financial Statements**

We have audited the accompanying financial statements of Silver Lining Mentoring, Inc. (a Massachusetts corporation, not for profit) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, changes in net assets, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 an 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 an 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Silver Lining Mentoring, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Alexander, Brown, Fenning & Co., P.C.*

Boston, Massachusetts  
May 8, 2017

**SILVER LINING MENTORING, INC.**Statements of Financial Position  
December 31, 2016 and 2015

<b>Assets</b>	<b>2016</b>	<b>2015</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,332,969	\$ 1,007,718
Current portion of accounts and contributions receivable	250,930	132,718
Prepaid expenses	19,129	23,285
<b>Total current assets</b>	<b>1,603,028</b>	<b>1,163,721</b>
Accounts and Contributions Receivable, net of current portion and discount	270,548	-
Property and Equipment, net	17,912	33,402
<b>Total assets</b>	<b>\$ 1,891,488</b>	<b>\$ 1,197,123</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 291	\$ 16,688
Accrued expenses	28,983	31,569
Deferred revenue	2,913	-
<b>Total current liabilities</b>	<b>32,187</b>	<b>48,257</b>
<b>Net Assets:</b>		
<b>Unrestricted:</b>		
Operating	594,970	591,752
Board designated	480,000	390,000
Property and equipment	17,912	33,402
<b>Total unrestricted</b>	<b>1,092,882</b>	<b>1,015,154</b>
Temporarily restricted	766,419	133,712
<b>Total net assets</b>	<b>1,859,301</b>	<b>1,148,866</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,891,488</b>	<b>\$ 1,197,123</b>

The accompanying notes are an integral part of these statements.



**SILVER LINING MENTORING, INC.**Statements of Changes in Net Assets  
For the Years Ended December 31, 2016 and 2015

	<u>Unrestricted</u>			
	<u>Operating and Property, Plant and Equipment</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Net Assets, December 31, 2014</b>	\$ 597,845	\$ 300,000	\$ 168,557	\$ 1,066,402
Changes in net assets	117,309	-	(34,845)	82,464
Transfers	<u>(90,000)</u>	<u>90,000</u>	<u>-</u>	<u>-</u>
<b>Net Assets, December 31, 2015</b>	625,154	390,000	133,712	1,148,866
Changes in net assets	77,728	-	632,707	710,435
Transfers	<u>(90,000)</u>	<u>90,000</u>	<u>-</u>	<u>-</u>
<b>Net Assets, December 31, 2016</b>	<u>\$ 612,882</u>	<u>\$ 480,000</u>	<u>\$ 766,419</u>	<u>\$ 1,859,301</u>

**SILVER LINING MENTORING, INC.**

## Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 710,435	\$ 82,464
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	15,490	12,000
Discount on contributions receivable	5,452	-
Changes in operating assets and liabilities:		
Accounts and contributions receivable	(394,212)	(14,267)
Prepaid expenses	4,156	(7,304)
Accounts payable	(16,397)	(501)
Accrued expenses	(2,586)	(5,765)
Deferred revenue	2,913	-
	<u>325,251</u>	<u>66,627</u>
Net cash and cash equivalents provided by operating activities	325,251	66,627
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	-	(13,402)
	<u>-</u>	<u>(13,402)</u>
<b>Net Change in Cash and Cash Equivalents</b>	325,251	53,225
<b>Cash and Cash Equivalents:</b>		
Beginning of year	<u>1,007,718</u>	<u>954,493</u>
End of year	<u>\$ 1,332,969</u>	<u>\$ 1,007,718</u>

**SILVER LINING MENTORING, INC.**

**Statements of Functional Expenses  
For the Years Ended December 31, 2016 and 2015**

	2016			2015				
	Program Services	General and Administrative	Fundraising	Total Expenses	Program Services	General and Administrative	Fundraising	Total Expenses
<b>Personnel and Related:</b>								
Salaries	\$ 509,243	\$ 61,492	\$ 126,076	\$ 696,811	\$ 395,565	\$ 56,531	\$ 126,809	\$ 578,905
Fringe benefits	57,528	8,460	18,612	84,600	51,736	7,608	16,738	76,082
Payroll taxes	40,467	5,951	13,092	59,510	34,389	5,057	11,126	50,572
Total personnel and related	607,238	75,903	157,780	840,921	481,690	69,196	154,673	705,559
<b>Occupancy:</b>								
Rent	36,776	3,488	10,463	50,727	29,242	2,946	8,839	41,027
Utilities	7,189	449	1,348	8,986	8,818	551	1,653	11,022
Total occupancy	43,965	3,937	11,811	59,713	38,060	3,497	10,492	52,049
<b>Other:</b>								
Program expenses	38,184	801	-	38,985	41,602	-	-	41,602
Professional fees	32,684	817	2,451	35,952	23,884	1,493	4,479	29,856
Telecommunications and technology	13,802	863	2,588	17,253	10,145	634	1,902	12,681
Depreciation	12,393	774	2,323	15,490	11,573	107	320	12,000
Professional development and training	11,143	696	2,089	13,928	13,058	825	2,448	16,331
Mentor recruitment	6,880	973	12	7,865	1,769	111	332	2,212
Insurance	5,930	371	1,112	7,413	5,373	336	1,007	6,716
Donated legal	5,750	359	1,079	7,188	-	-	-	-
Printing and postage	5,628	352	1,055	7,035	6,738	420	1,261	8,419
Office expense	5,493	343	1,030	6,866	3,322	208	623	4,153
Travel	949	59	178	1,186	1,690	106	317	2,113
Total other	138,836	6,408	13,917	159,161	119,154	4,240	12,689	136,083
Total expenses	\$ 790,039	\$ 86,248	\$ 183,508	\$ 1,059,795	\$ 638,904	\$ 76,933	\$ 177,854	\$ 893,691

The accompanying notes are an integral part of these statements.



**1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

**OPERATIONS AND NONPROFIT STATUS**

Silver Lining Mentoring, Inc. (SLM) is a Massachusetts corporation, not for profit, organized in 2001 to provide mentoring and life skills support to youth involved in foster care.

SLM is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). SLM is also exempt from state income taxes. Donors may deduct contributions made to SLM within IRC requirements.

**SIGNIFICANT ACCOUNTING POLICIES**

SLM prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, management considers the checking, savings and money market accounts to be cash and cash equivalents.

**Accounts and Contributions Receivable and Allowance for Doubtful Accounts**

Accounts and contributions receivable are recorded at the invoiced or pledged amounts and do not bear interest. The allowance, if any, is based upon specific identification of probable losses and an estimate of additional losses based on historical experience. Account balances are charged off against the allowance when it is probable that the receivable will not be recovered. There was no allowance for doubtful accounts at December 31, 2016 and 2015.

**Net Assets**

***Unrestricted Net Assets***

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by SLM. SLM has grouped its unrestricted net assets into the following categories:

***Operating net assets*** represent funds available to carry on the operations of SLM.

***Board designated net assets*** represent funds set aside by the Board of Directors for future strategic growth initiatives.

***Property and equipment net assets*** represent the net book value of SLM's property and equipment.

# SILVER LINING MENTORING, INC.

Notes to Financial Statements  
December 31, 2016 and 2015

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## 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Net Assets (Continued)

*Temporarily restricted net assets* consist of contributions and grants which are designated by donors for a specific purpose or period of time. Temporarily restricted net assets consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Purpose restricted	\$ 491,897	\$ -
Time restricted	<u>274,522</u>	<u>133,712</u>
	<u>\$ 766,419</u>	<u>\$ 133,712</u>

#### Revenue Recognition

Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or purpose restrictions have lapsed.

Contract revenue is recorded over the contract period as services are provided based on a unit rate. All other revenue is recognized when earned.

Fundraising events contributions and support represent sponsorships, ticket sales and auction proceeds from special events and is recorded in the period in which the event takes place. Expenses relating to fundraising events totaled \$71,881 and \$29,668 for the years ended December 31, 2016 and 2015, respectively, and are reported as direct expenses in the accompanying statements of activities.

#### Donated Services

Volunteers and other organizations contribute goods and services to SLM in support of various aspects of its programs. These goods and services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or by management. Donated services consist of donated legal services of \$7,188 for the year ended December 31, 2016. There were no donated services that met the criteria for recognition in the financial statements for the year ended December 31, 2015.

SLM also receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying financial statements, since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the standards for ASC Topic, *Accounting for Contributions Received and Contributions Made*.

#### Estimates

The preparation of financial statements in accordance with U.S. GAAP 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. Actual results could differ from those estimates.

**1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value Measurements**

SLM follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that SLM would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

SLM uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of SLM. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

**Property and Equipment and Depreciation**

Purchased property and equipment are recorded at cost. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as they are incurred. SLM's policy is to capitalize property and equipment costing \$1,000 or more. Depreciation of property and equipment is computed using the straight-line method over estimated useful lives of three years (see Note 2).

**Expense Allocation**

Expenses related directly to a program are distributed to that program, while other expenses are allocated to program services, general and administrative, and fundraising based upon management's estimate of the percentage attributable to each function.

**SILVER LINING MENTORING, INC.**Notes to Financial Statements  
December 31, 2016 and 2015**1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)****SIGNIFICANT ACCOUNTING POLICIES (Continued)****Income Taxes**

SLM accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. SLM has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements as of December 31, 2016 and 2015. SLM's information returns are subject to examination by Federal and state jurisdictions.

**Subsequent Events**

Subsequent events have been evaluated through May 8, 2017, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

**2. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>Estimated Useful Lives</u>	<u>2016</u>	<u>2015</u>
Software	3 years	\$ 29,600	\$ 30,319
Office equipment	3 years	<u>31,669</u>	<u>48,687</u>
		61,269	79,006
Less - accumulated depreciation		<u>43,357</u>	<u>45,604</u>
		<u>\$ 17,912</u>	<u>\$ 33,402</u>

Depreciation expense was \$15,490 and \$12,000 for the years ended December 31, 2016 and 2015, respectively.

**3. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE**

The following unconditional promises to give are included in grants and contributions receivable at December 31:

	<u>2016</u>	<u>2015</u>
Due within one year	\$ 250,930	\$ 132,718
Due within two years	186,000	-
Due within three years	<u>90,000</u>	<u>-</u>
	526,930	132,718
Less - discount to present value of future cash flows	<u>5,452</u>	<u>-</u>
	521,478	132,718
Current portion of account and contributions receivable	<u>250,930</u>	<u>132,718</u>
Total accounts and contributions receivable, net	<u>\$ 270,548</u>	<u>\$ -</u>

## SILVER LINING MENTORING, INC.

Notes to Financial Statements  
December 31, 2016 and 2015

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### 3. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE (Continued)

A discount rate of 1.20% for the year ended December 31, 2016, representing SLM's risk-free rate, is used to discount multi-year contributions receivable. There was no long-term portion of accounts and contributions receivable at December 31, 2015, that would require discount.

### 4. FUNDING AND CONCENTRATIONS

SLM receives contract revenue from a government agency for services rendered under a unit rate contract. This contract is subject to possible audit by the appropriate government agency. In the opinion of management, the results of such audit, if any, will not have a material effect on the financial position of SLM as of December 31, 2016 and 2015, or on the changes in its net assets for the years then ended.

Approximately 85% and 71% of accounts and contributions receivable as of December 31, 2016 and 2015, respectively, was due from three and two nonprofit organizations.

### 5. LEASES

SLM entered into a five-year lease agreement for office space effective July 2015 through June 2020. Under this agreement, SLM is obligated to pay monthly lease payments of \$6,300. SLM is also responsible for its share of real estate taxes assessed on the property, as well as for its use of utilities. SLM subleases a portion of this space to two organizations on a tenant-at-will basis. Rent expense is reported net of sublease income in the accompanying statements of functional expenses.

Future minimum lease payments, excluding real estate taxes and utilities, under the lease agreement are as follows:

2017	\$ 75,600
2018	\$ 75,600
2019	\$ 75,600
2020	\$ 37,800

### 6. CONCENTRATION OF CREDIT RISK

SLM maintains its cash balances in a Massachusetts bank and is insured with the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, the cash balance exceeded the insured amount. SLM has not experienced any losses in such accounts. SLM's management believes it is not exposed to any significant credit risk on cash.

### 7. RETIREMENT PLAN

SLM has a SIMPLE-IRA retirement plan for eligible employees. Employees become eligible to participate if they earn a salary greater than \$5,000 during the year. SLM makes matching contributions to each eligible employee at year-end equal to 3% of the employee's salary earned during the year. Employees may contribute from eligible earnings up to the IRC limitations. Total employer contributions for 2016 and 2015 were \$9,663 and \$9,546, respectively, and are included in fringe benefits in the accompanying statements of functional expenses.