



**FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

SILVER LINING MENTORING, INC.

Contents
December 31, 2018 and 2017

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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) (SLM) which comprise the statements of financial position as of December 31, 2018 and 2017, 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 SLM as of December 31, 2018 and 2017, 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.

Emphasis of a Matter

As disclosed in Note 1, during 2018, SLM adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities*, which aims to provide, among other items, clarity over the SLM's classification of net assets, methods used to allocate costs to programmatic and support functions, as well as liquidity and availability of resources. Our opinion is not modified with respect to this matter.

Alexander, Crosser, Fenning & Co., P.C.

Boston, Massachusetts
April 25, 2019

SILVER LINING MENTORING, INC.Statements of Financial Position
December 31, 2018 and 2017

Assets	2018	2017
Current Assets:		
Cash and cash equivalents	\$ 1,876,626	\$ 1,723,078
Accounts and contributions receivable, net	134,675	274,124
Prepaid expenses	24,286	19,168
Total current assets	2,035,587	2,016,370
Equipment, net	6,330	12,440
Total assets	<u>\$ 2,041,917</u>	<u>\$ 2,028,810</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 6,268	\$ 12,154
Accrued expenses	106,476	77,771
Deferred revenue	2,608	4,631
Total current liabilities	115,352	94,556
Net Assets:		
Without donor restrictions:		
Operating	898,148	898,959
Board designated	480,000	480,000
Equipment	6,330	12,440
Total without donor restrictions	1,384,478	1,391,399
With donor restrictions	542,087	542,855
Total net assets	1,926,565	1,934,254
Total liabilities and net assets	<u>\$ 2,041,917</u>	<u>\$ 2,028,810</u>

SILVER LINING MENTORING, INC.

**Statements of Activities
For the Years Ended December 31, 2018 and 2017**

	2018		2017	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Revenue and Support:				
Fundraising event contributions and support	\$ 596,873	\$ -	\$ 548,850	\$ -
Less - direct expenses	92,664	-	80,159	-
		\$ 596,873	\$ 548,850	\$ 548,850
		92,664	80,159	80,159
Fundraising event contributions and support, net	504,209	-	468,691	-
		504,209	468,691	468,691
Grants and contributions	369,075	647,000	431,739	436,797
Contracts	95,550	-	130,608	-
Donated services	3,854	-	1,658	-
Program income	2,875	-	20,050	-
Interest and other	2,826	-	917	-
Net assets released from restrictions:				
Satisfaction of time restrictions	167,500	(167,500)	139,522	(139,522)
Satisfaction of purpose restrictions	480,268	(480,268)	520,839	(520,839)
Total revenue and support	1,626,157	(768)	1,714,024	(223,564)
		1,625,389	1,714,024	1,490,460
Operating Expenses:				
Program services	1,241,064	-	1,080,529	-
General and administrative	114,246	-	136,566	-
Fundraising	277,768	-	198,412	-
Total expenses	1,633,078	-	1,415,507	-
		1,633,078	1,415,507	1,415,507
Changes in net assets	\$ (6,921)	\$ (768)	\$ 298,517	\$ (223,564)
		\$ (7,689)	\$ 298,517	\$ 74,953

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, 2018 and 2017**

	Net Assets Without Donor Restrictions			
	Operating and Property, Plant and Equipment	Board Designated	Net Assets With Donor Restrictions	Total
Net Assets, December 31, 2016	\$ 612,882	\$ 480,000	\$ 766,419	\$ 1,859,301
Changes in net assets	<u>298,517</u>	<u>-</u>	<u>(223,564)</u>	<u>74,953</u>
Net Assets, December 31, 2017	911,399	480,000	542,855	1,934,254
Changes in net assets	<u>(6,921)</u>	<u>-</u>	<u>(768)</u>	<u>(7,689)</u>
Net Assets, December 31, 2018	<u>\$ 904,478</u>	<u>\$ 480,000</u>	<u>\$ 542,087</u>	<u>\$ 1,926,565</u>

SILVER LINING MENTORING, INC.**Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (7,689)	\$ 74,953
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	10,445	9,806
Change in discount on contributions receivable	(1,701)	(3,751)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	141,150	251,105
Prepaid expenses	(5,118)	(39)
Accounts payable	(5,886)	11,863
Accrued expenses	28,705	48,788
Deferred revenue	(2,023)	1,718
	<u>157,883</u>	<u>394,443</u>
Net cash and cash equivalents provided by operating activities	157,883	394,443
Cash Flows from Investing Activities:		
Acquisition of equipment	(4,335)	(4,334)
	<u>153,548</u>	<u>390,109</u>
Net Change in Cash and Cash Equivalents	153,548	390,109
Cash and Cash Equivalents:		
Beginning of year	<u>1,723,078</u>	<u>1,332,969</u>
End of year	<u>\$ 1,876,626</u>	<u>\$ 1,723,078</u>

SILVER LINING MENTORING, INC.

Statements of Functional Expenses
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Program Services	General and Administrative	Total Expenses	Program Services	General and Administrative	Total Expenses
Personnel and Related:						
Salaries	\$ 808,604	\$ 83,952	\$ 1,083,926	\$ 726,003	\$ 85,015	\$ 940,828
Fringe benefits	89,431	8,710	119,383	71,664	10,539	105,388
Payroll taxes	71,279	3,391	91,478	53,355	7,846	78,463
Total personnel and related	<u>969,314</u>	<u>96,053</u>	<u>1,294,787</u>	<u>851,022</u>	<u>103,400</u>	<u>1,124,679</u>
Occupancy:						
Rent	65,954	4,122	82,442	51,271	3,204	64,088
Utilities	8,172	511	10,215	8,027	502	10,034
Total occupancy	<u>74,126</u>	<u>4,633</u>	<u>92,657</u>	<u>59,298</u>	<u>3,706</u>	<u>74,122</u>
Other:						
Professional fees	94,898	3,057	117,735	56,283	19,102	83,868
Direct expense of fundraising events	-	-	92,664	-	-	80,159
Program expenses	46,373	-	46,373	56,037	-	56,037
Telecommunications and technology	12,428	4,318	23,451	18,246	1,140	22,807
Professional development and training	10,267	3,284	15,775	5,826	5,566	11,667
Depreciation	8,356	522	10,445	7,845	490	9,806
Printing and postage	6,847	428	8,559	6,440	403	8,051
Insurance	6,419	401	8,024	6,045	378	7,556
Office expense	5,909	370	7,387	4,718	1,132	6,647
Donated legal	3,083	193	3,854	1,326	83	1,658
Mentor recruitment	3,044	-	3,044	7,119	-	7,119
Travel	-	987	987	324	1,166	1,490
Total other	<u>197,624</u>	<u>13,560</u>	<u>338,298</u>	<u>170,209</u>	<u>29,460</u>	<u>296,865</u>
	1,241,064	114,246	1,725,742	1,080,529	136,566	1,495,666
Less - expenses shown net with revenues on statement of activities	-	-	(92,664)	-	-	(80,159)
Total expenses	<u>\$ 1,241,064</u>	<u>\$ 114,246</u>	<u>\$ 1,633,078</u>	<u>\$ 1,080,529</u>	<u>\$ 136,566</u>	<u>\$ 1,415,507</u>

The accompanying notes are an integral part of these statements.

SILVER LINING MENTORING, INC.

Notes to Financial Statements
December 31, 2018 and 2017

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 impacted by 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 (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Adoption of New Accounting Standards

During 2018, SLM adopted Accounting Standards Updated (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU modified the current guidance over several criteria, of which the following affected the SLM's financial statements:

- Net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions", as opposed to the previous requirement of three classes of net assets (see page 8).
- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date (see Note 9).
- SLM included an explanation of the methods used to allocate costs among program and supporting (general and administrative and fundraising) functions (see page 10).

The adoption of this ASU did not impact SLM's net assets balance, changes in net assets, or cash flows for the year ended December 31, 2017. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources the 2017 financial statements.

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, 2018 and 2017.

SILVER LINING MENTORING, INC.

Notes to Financial Statements
December 31, 2018 and 2017

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by SLM. SLM has grouped its net assets without donor restrictions into the following categories:

Operating - represent funds available to carry on the operations of SLM.

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

Equipment - represent the net book value of SLM's equipment.

With donor restrictions

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purposes (purpose restricted) and amounts for operating use in future periods (time restricted). Net assets with donor restrictions consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Learn & Earn	\$ 173,815	\$ 99,964
Community Based Mentoring	117,153	48,549
Young Adult Services	111,884	55,081
Other programs	<u>71,735</u>	<u>179,261</u>
	<u>474,587</u>	<u>382,855</u>
Subject to the passage of time:	<u>67,500</u>	<u>160,000</u>
	<u>\$ 542,087</u>	<u>\$ 542,855</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions:		
Learn & Earn	\$ 193,297	\$ 196,048
Other programs	118,839	120,222
Young Adult Services	83,808	58,119
Community Based Mentoring	<u>83,324</u>	<u>146,450</u>
	<u>480,268</u>	<u>520,839</u>
Satisfaction of time restrictions:	<u>167,500</u>	<u>139,522</u>
	<u>\$ 647,768</u>	<u>\$ 660,361</u>

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Revenue Recognition

Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged. Grants and contributions with donor restrictions are recorded as restricted revenues and net assets when received or unconditionally pledged. Transfers are made to net assets without donor restrictions 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 event contributions and support represents sponsorships, ticket sales and auction proceeds from special events and are recorded in the period in which the event takes place. Expenses relating to fundraising events totaled \$92,664 and \$80,159 for the years ended December 31, 2018 and 2017, 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 \$3,854 and \$1,658 for the years ended December 31, 2018 and 2017, respectively.

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.

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.

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

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.

Equipment and Depreciation

Purchased equipment is 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 equipment costing \$1,000 or more. Depreciation of 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 function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

The financial statements contain certain categories of expenses that are attributable to program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, office expenses, and insurance, which are allocated based on staff's full time equivalent percentages.

SILVER LINING MENTORING, INC.

Notes to Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017. SLM's information returns are subject to examination by Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through April 25, 2019, 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. EQUIPMENT

Equipment consist of the following at December 31:

	<u>Estimated Useful Lives</u>	<u>2018</u>	<u>2017</u>
Office equipment	3 years	\$ 40,338	\$ 36,003
Less - accumulated depreciation		<u>34,008</u>	<u>23,563</u>
		<u>\$ 6,330</u>	<u>\$ 12,440</u>

3. ACCOUNTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2018</u>	<u>2017</u>
Due within one year	\$ 134,675	\$ 275,825
Less - discount to present value of future cash flows	<u>-</u>	<u>1,701</u>
Total accounts and contributions receivable, net	<u>\$ 134,675</u>	<u>\$ 274,124</u>

A discount rate of 1.89% for the year ended December 31, 2017, representing SLM's risk-free rate, is used to discount multi-year contributions receivable based on the original payment terms.

SILVER LINING MENTORING, INC.

Notes to Financial Statements
December 31, 2018 and 2017

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, 2018 and 2017, or on the changes in its net assets for the years then ended.

Approximately 55% and 80% of accounts and contributions receivable were due from four and three nonprofit organizations as of December 31, 2018 and 2017, respectively.

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 subleased a portion of this space to two organizations on a tenant-at-will basis; during 2017, both subtenants vacated their respective spaces. 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:

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 previous calendar 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 2018 and 2017 were \$16,190 and \$9,494, respectively, and are included in fringe benefits in the accompanying statements of functional expenses.

8. CONDITIONAL GRANTS

SLM received grants from two foundations that are conditional upon SLM meeting certain performance criteria, matching donations or the donor approving satisfactory progress on a specific program.

SILVER LINING MENTORING, INC.

Notes to Financial Statements
December 31, 2018 and 2017

8. CONDITIONAL GRANTS (Continued)

At December 31, 2018 and 2017, SLM had the following conditional grant commitments:

	<u>Award</u>	<u>Earned in 2017</u>	<u>Balance at December 31, 2017</u>	<u>Earned in 2018</u>	<u>Balance at December 31, 2018</u>
Foundation A	\$ 250,000	\$ -	\$ -	\$ 25,000	\$ 225,000
Foundation B	\$ 100,000	\$ 25,000	\$ 75,000	\$ 75,000	\$ -

These grants are expected to be earned through 2028.

9. LIQUIDITY

The financial assets available for use by SLM within one year from the statements of financial position date is as follows:

Cash and cash equivalents	\$ 1,876,626
Accounts and contributions receivable, net	<u>134,675</u>
	2,011,301
Less: Financial assets with donor or board restrictions	<u>1,022,087</u>
Total	<u>\$ 989,214</u>

SLM's financial assets are available for use to cover its obligations as they become due. As of December 31, 2018, SLM has financial assets equal to approximately seven months of operating expenses. SLM also has a current ratio of approximately eighteen to one.