



**MENTORS
INTERNATIONAL**

**Independent Auditors' Report
and
Financial Statements for the Years Ended**

June 30, 2015 and 2014

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Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mentors International
Draper, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Mentors International (Mentors) (a nonprofit corporation) which comprise the statements of financial position as of June 30, 2015 and 2014 and the related statements of activities and change in net assets, functional expenses, and cash flows 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 auditors' 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 qualified audit opinion.

Basis for Qualified Opinion

As discussed in Note 1 to the financial statements, Mentors has formed partner organizations in foreign countries. In our opinion, each of these foreign entities is controlled by Mentors and accounting principles generally accepted in the United States of America would require these foreign partner organizations to be accounted for as consolidated subsidiaries in the accompanying financial statements. Management has elected to not include the financial statements of these foreign partner organizations in these financial statements, but each of these foreign entities has been audited separately by other auditors in each of the respective countries. Furthermore, since the financial statements of these foreign entities have not been consolidated in the accompanying financial statements, we were unable to perform or apply sufficient audit procedures with respect to the valuation and recoverability of the various notes receivable due from these foreign partner organizations as of June 30, 2015 and 2014, as discussed in Note 4.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Mentors International as of June 30, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Stayner, Bates & Jensen, PC

Stayner, Bates & Jensen, PC
Salt Lake City, Utah
December 18, 2015

MENTORS INTERNATIONAL
Statements of Financial Position
June 30, 2015 and 2014

	<u>2015</u>			<u>2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>ASSETS</u>						
CURRENT ASSETS						
Cash and cash equivalents	\$ 89,010	\$ 174,489	\$ 263,499	\$ 59,775	\$ -	\$ 59,775
Foreign affiliate fees receivable (Note 2)	42,800	-	42,800	77,427	-	77,427
Notes receivable - foreign partner affiliates, current portion (Notes 1 and 4)	311,429	-	311,429	-	-	-
Prepaid expenses and other current assets	9,172	-	9,172	19,414	-	19,414
Total Current Assets	<u>452,411</u>	<u>174,489</u>	<u>626,900</u>	<u>156,616</u>	<u>-</u>	<u>156,616</u>
PROPERTY AND EQUIPMENT (Note 2)						
Office furnishings and equipment	23,273	-	23,273	22,764	-	22,764
Leasehold improvements	11,426	-	11,426	11,426	-	11,426
Software	89,931	-	89,931	89,931	-	89,931
Less: accumulated depreciation and amortization	(118,528)	-	(118,528)	(118,176)	-	(118,176)
Total Property and Equipment	<u>6,102</u>	<u>-</u>	<u>6,102</u>	<u>5,945</u>	<u>-</u>	<u>5,945</u>
OTHER ASSETS						
Investments, cost (Note 2)	30,299	-	30,299	30,299	-	30,299
Notes receivable - foreign partner affiliates (Notes 1 and 4)	742,359	-	742,359	1,068,788	-	1,068,788
Other assets	3,385	-	3,385	3,385	-	3,385
Total Other Assets	<u>776,043</u>	<u>-</u>	<u>776,043</u>	<u>1,102,472</u>	<u>-</u>	<u>1,102,472</u>
TOTAL ASSETS	<u><u>\$ 1,234,556</u></u>	<u><u>\$ 174,489</u></u>	<u><u>\$ 1,409,045</u></u>	<u><u>\$ 1,265,033</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,265,033</u></u>

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

MENTORS INTERNATIONAL
 Statements of Financial Position (Continued)
 June 30, 2015 and 2014

	<u>2015</u>			<u>2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	\$ 88,619	\$ -	\$ 88,619	\$ 89,167	\$ -	\$ 89,167
Accrued interest, current portion (Note 6)	5,747	-	5,747	129,051	-	129,051
Notes payable, current portion (Note 6)	36,351	-	36,351	-	-	-
Line-of-credit (Note 3)	-	-	-	75,000	-	75,000
Total Current Liabilities	<u>130,717</u>	<u>-</u>	<u>130,717</u>	<u>293,218</u>	<u>-</u>	<u>293,218</u>
LONG-TERM LIABILITIES						
Accrued interest (Note 6)	166,052	-	166,052	-	-	-
Notes payable (Note 6)	1,064,387	-	1,064,387	1,068,709	-	1,068,709
Total Long-Term Liabilities	<u>1,230,439</u>	<u>-</u>	<u>1,230,439</u>	<u>1,068,709</u>	<u>-</u>	<u>1,068,709</u>
TOTAL LIABILITIES	<u>1,361,156</u>	<u>-</u>	<u>1,361,156</u>	<u>1,361,927</u>	<u>-</u>	<u>1,361,927</u>
NET ASSETS						
Unrestricted	(126,600)	-	(126,600)	(96,894)	-	(96,894)
Temporarily restricted	-	174,489	174,489	-	-	-
Total Net Assets	<u>(126,600)</u>	<u>174,489</u>	<u>47,889</u>	<u>(96,894)</u>	<u>-</u>	<u>(96,894)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,234,556</u>	<u>\$ 174,489</u>	<u>\$ 1,409,045</u>	<u>\$ 1,265,033</u>	<u>\$ -</u>	<u>\$ 1,265,033</u>

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

MENTORS INTERNATIONAL
 Statements of Activities and Change in Net Assets
 For the Years Ended June 30, 2015 and 2014

	<u>2015</u>			<u>2014</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support from Operations						
Public Support:						
Contributions	\$ 764,500	\$ 174,489	\$ 938,989	\$ 1,078,472	\$ -	\$ 1,078,472
Special events	342,076	-	342,076	314,721	-	314,721
Less: direct costs of special events	<u>(113,370)</u>	<u>-</u>	<u>(113,370)</u>	<u>(102,657)</u>	<u>-</u>	<u>(102,657)</u>
Total Public Support	<u>993,206</u>	<u>174,489</u>	<u>1,167,695</u>	<u>1,290,536</u>	<u>-</u>	<u>1,290,536</u>
Revenue:						
Affiliate fees, interest, and other revenue	<u>110,833</u>	<u>-</u>	<u>110,833</u>	<u>86,116</u>	<u>-</u>	<u>86,116</u>
Total Revenue	<u>110,833</u>	<u>-</u>	<u>110,833</u>	<u>86,116</u>	<u>-</u>	<u>86,116</u>
Temporarily restricted funds released from restriction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Support from Operations	<u>1,104,039</u>	<u>174,489</u>	<u>1,278,528</u>	<u>1,376,652</u>	<u>-</u>	<u>1,376,652</u>
Operating Expenses						
Program Services	<u>1,052,480</u>	<u>-</u>	<u>1,052,480</u>	<u>1,265,940</u>	<u>-</u>	<u>1,265,940</u>
Supporting Services:						
Fundraising costs	14,260	-	14,260	22,652	-	22,652
General and administrative	66,854	-	66,854	76,025	-	76,025
Total Supporting Services	<u>81,114</u>	<u>-</u>	<u>81,114</u>	<u>98,677</u>	<u>-</u>	<u>98,677</u>
Total Operating Expenses	<u>1,133,594</u>	<u>-</u>	<u>1,133,594</u>	<u>1,364,617</u>	<u>-</u>	<u>1,364,617</u>
Other Income						
Gain (loss) on sale or disposal of property and equipment	<u>(151)</u>	<u>-</u>	<u>(151)</u>	<u>189</u>	<u>-</u>	<u>189</u>
Total Other Income	<u>(151)</u>	<u>-</u>	<u>(151)</u>	<u>189</u>	<u>-</u>	<u>189</u>
Change in Net Assets	<u>(29,706)</u>	<u>174,489</u>	<u>144,783</u>	<u>12,224</u>	<u>-</u>	<u>12,224</u>
Net Assets at Beginning of Year	<u>(96,894)</u>	<u>-</u>	<u>(96,894)</u>	<u>(109,118)</u>	<u>-</u>	<u>(109,118)</u>
Net Assets at End of Year	<u>\$ (126,600)</u>	<u>\$ 174,489</u>	<u>\$ 47,889</u>	<u>\$ (96,894)</u>	<u>\$ -</u>	<u>\$ (96,894)</u>

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

MENTORS INTERNATIONAL
Statement of Functional Expenses
For the Year Ended June 30, 2015

	Program Services	Fundraising Costs	General and Administrative	Total Expenses
Operational grants to foreign partner affiliates (Note 4)	\$ 216,603	\$ -	\$ -	\$ 216,603
Bad debt expense	77,472	-	-	77,472
Salaries and related costs	514,811	4,039	41,714	560,564
Bank fees	8,533	118	828	9,479
Board expenses	-	-	1,413	1,413
Dues and subscriptions	-	64	-	64
Information technology	22,974	1,787	-	24,761
Insurance	2,008	6	2,501	4,515
Interest expense	88,557	-	-	88,557
Office supplies	2,940	590	741	4,271
Maintenance and repair	-	-	2	2
Printing	987	3,583	479	5,049
Professional services	18,546	160	13,803	32,509
Public relations	22,868	2,777	87	25,732
Office rent	40,695	-	2,414	43,109
Telephone and internet	4,107	67	219	4,393
Travel	31,379	1,069	1,072	33,520
Total Functional Expenses before Depreciation	1,052,480	14,260	65,273	1,132,013
Depreciation	-	-	1,581	1,581
Total Functional Expenses	\$ 1,052,480	\$ 14,260	\$ 66,854	\$ 1,133,594

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

MENTORS INTERNATIONAL
Statement of Functional Expenses
For the Year Ended June 30, 2014

	Program Services	Fundraising Costs	General and Administrative	Total Expenses
Operational grants to foreign partner affiliates (Note 4)	\$ 410,731	\$ -	\$ -	\$ 410,731
Bad debt expense	41,406	-	-	41,406
Salaries and related costs	574,973	10,661	41,450	627,084
Bank fees	9,308	357	301	9,966
Board expenses	-	-	1,875	1,875
Information technology	27,366	2,627	190	30,183
Insurance	1,816	41	2,253	4,110
Interest expense	69,879	-	20,000	89,879
Office supplies	4,646	1,195	915	6,756
Printing	8,758	3,959	423	13,140
Professional services	45,238	-	2,932	48,170
Public relations	2,037	1,346	125	3,508
Office rent	39,982	-	2,372	42,354
Foreign rental commitments	6,803	-	-	6,803
Telephone and internet	3,700	159	177	4,036
Travel	18,174	2,307	456	20,937
Training	1,123	-	38	1,161
Total Functional Expenses before Depreciation	1,265,940	22,652	73,507	1,362,099
Depreciation	-	-	2,518	2,518
Total Functional Expenses	\$ 1,265,940	\$ 22,652	\$ 76,025	\$ 1,364,617

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

MENTORS INTERNATIONAL
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 144,783	\$ 12,224
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Bad debt expense	77,472	41,406
Depreciation	1,581	2,518
(Gain) loss on sale or disposal of property and equipment	151	(189)
Changes in assets and liabilities:		
Increase in foreign affiliate fees receivable	(42,845)	(60,520)
(Increase) decrease in prepaid expenses and other assets	10,242	(7,130)
Increase (decrease) in accounts payable and accrued expenses	42,200	(83,904)
Net Cash Provided (Used) by Operating Activities	233,584	(95,595)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Advances) payments received on notes receivable, foreign partner affiliates	15,000	(34,988)
Proceeds received on sale of property and equipment	800	800
Purchases of property and equipment	(2,689)	(2,035)
Net Cash Provided (Used) by Investing Activities	13,111	(36,223)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(2,771)	-
Change in line-of-credit	(40,200)	-
Net Cash Used by Financing Activities	(42,971)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	203,724	(131,818)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	59,775	191,593
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 263,499	\$ 59,775
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash Payments For:		
Interest	\$ 45,809	\$ 47,144
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Conversion of a line-of-credit to a note payable	\$ 34,800	\$ -

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

MENTORS INTERNATIONAL
Notes to the Financial Statements
June 30, 2015 and 2014

NOTE 1 - ORGANIZATION AND DESCRIPTION OF OPERATIONS

Mentors International (“Mentors”) is a non-profit corporation organized in the State of Missouri. During October 2011, Mentors’ name was changed from “Enterprise Mentors International” to “Mentors International”.

Mentors’ mission is to make a lasting difference in individual lives by helping serve those in extreme poverty in a self-sustaining way through business training, character development, and financial services. Mentors’ vision is to serve millions of the world’s poor through the mutually beneficial principles of self-reliance and prosperity. Mentors has built an organization in which caring can be genuinely effective in helping their clients lift themselves from poverty by selecting local leaders with a track record of successful volunteer work, using local talent who have and/or develop a one-on-one relationship with each client, respectfully helping their clients model and acquire essential character traits, and focusing resources (loans, training, and people) on localized business opportunities.

Although not consolidated in the accompanying financial statements as of and for the years ended June 30, 2015 and 2014, Mentors has formed its own partner organizations in the following countries:

<u>Country</u>	<u>Name of Organization</u>
Philippines	Mentors Philippines Microfinance Foundation, Inc.
Guatemala	Fundación Mentors Guatemala
Peru	Asociación Civil Mentors Perú
Honduras	Mentors Honduras, S.R.L.
Ghana	Mentors Ghana Limited

Mentors provides all of the start-up support, training, funding and loan capital to these foreign partner organizations. Accordingly, accounting principles generally accepted in the United States of America would require that the financial statements of each of these foreign partner entities be consolidated with the financial statements of Mentors. Management has, however, elected not to consolidate the financial statements of these foreign partner entities in the accompanying financial statements as of June 30, 2015 and 2014 and for the years then ended. Therefore, intercompany advances and loans to these foreign entities are being shown as “Notes receivable – foreign partner affiliates” in the accompanying balance sheets.

Mentors also has a foreign affiliated partner organization in El Salvador called Fundacion Mentores Empresariales Para El Salvador, which has its own local board of directors and indigenous staff. Therefore, the results of its operations are not required to be consolidated in the accompanying financial statements.

MENTORS INTERNATIONAL
Notes to the Financial Statements
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Mentors conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. The following is a summary of the more significant of Mentors' accounting policies:

a. Basis of Presentation

Mentor's financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to Not-for-Profit organizations. Mentors has elected a June 30 year-end.

Mentors has adopted the provisions of Accounting Standards Codification 958, *Not-For-Profit Entities* (ASC 958), Accounting Standards Codification 720-25, *Contributions Made* (ASC 720-25), and Accounting Standards Codification 225-45-6, *Classification of Revenues, Expenses, Gains, and Losses* (ASC 225-45-6). Under these ASC's, Mentors is required to report and record its financial position, activities and contributions received under three classes; permanently restricted, temporarily restricted and unrestricted. These classes are determined by the donor's restrictions for the use of the funds or the lack thereof. When a donor's restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and are shown in the statement of activities as net assets released from restriction. Temporary restrictions expire when a time restriction is met, or the purpose of the restricted funds has been accomplished.

Mentors has no assets that are permanently restricted as of June 30, 2015 and 2014. Temporarily restricted net assets and unrestricted net assets are defined as follows:

Temporarily Restricted Net Assets

Net assets subject to donor imposed stipulations that may or will be met by actions of the organization and/or the passage of time. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of unrestricted net assets. As of June 30, 2015 and 2014, temporarily restricted net assets, totaling \$174,489 and \$-0-, respectively, consisted of donor-imposed restrictions on contributions made to Mentors where the donors have either specifically required the funds to be granted to specific foreign partner organizations, or for other specific purposes not yet fulfilled.

Unrestricted Net Assets

Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

MENTORS INTERNATIONAL
Notes to the Financial Statements
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Basis of Presentation (Continued)

Unrestricted Net Assets (Continued)

Expirations of temporary restrictions on net assets, i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

b. Cash and Cash Equivalents

Mentors considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise encumbered. The carrying amount approximates fair value because of the short maturity of those instruments.

c. Income Taxes

Mentors is a non-profit corporation whose revenue is derived from contributions and other fundraising activities and is not subject to federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Mentors files a Form 990 tax return.

As of June 30, 2015 and for the year then ended, Mentors has not engaged in any activity which management considers to be activity that could result in a loss of their 501(c)(3) designation. In addition, management does not consider any of the activity of Mentors to be considered unrelated business income that could result in income tax. For the years ended June 30, 2015 and 2014, there was no tax interest or penalties reflected in the statement of activities or in the statement of financial position. Mentors is no longer subject to U.S. federal, state, and local income tax examinations by taxing authorities for years before 2011.

d. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Repairs and maintenance are expensed as incurred, whereas major improvements are capitalized. If donated, property and equipment is recorded at the approximate fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging as follows:

Office furnishings and equipment	3 to 7 years
Leasehold improvements	3 years
Software	3 to 5 years

Depreciation expense on property and equipment for the years ended June 30, 2015 and 2014 was \$1,581 and \$2,518, respectively. Mentors sold or otherwise disposed of certain property and equipment which resulted in a net loss of \$151 and a net gain of \$189 for the years ended June 30, 2015 and 2014, respectively.

MENTORS INTERNATIONAL
Notes to the Financial Statements
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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, including functional allocations, during the reporting period. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances in making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. While actual results could differ from those estimates, management believes that the estimates are reasonable.

Key estimates made in the accompanying financial statements include, among others, allowances for doubtful fees receivable and notes receivable, the economic useful lives and recovery of long-lived assets, and amounts and valuation of donated goods and services.

f. Functional Allocation of Expenses

Mentors performs three functions: program, fundraising, and general and administrative. Definitions of these functions are as follows:

Program – Activities performed by Mentors and its foreign partner affiliates that fulfill Mentors' key purposes and programs in the micro-lending operation; include public education and affiliate support.

Fundraising – Activities performed by Mentors to generate funds and/or resources to support its programs and operations.

General and Administrative – All costs that are not identifiable with program or fundraising activities, but are indispensable to the conduct of such programs and activities and to Mentors' existence. This includes expenses for the overall direction of Mentors, business management, general recordkeeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other general overhead.

Whenever practicable, expenses are assigned to functional categories on an item-by-item basis. Certain expenses that could not be identified with a particular function have been allocated across functions based upon an analysis of personnel time spent in each of those functions, or other relevant factors. These expenses are subject to systematic review and allocation.

g. Revenue Recognition

The basis of revenue recognition for each of the revenue producing sources included in contributions, special event revenue, and affiliate fees and interest revenue is as follows:

MENTORS INTERNATIONAL
Notes to the Financial Statements
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Revenue Recognition (Continued)

Contributions

Contributions are generally recorded only upon receipt, unless evidence or an unconditional promise to give has been received. Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give (pledges) that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, it is reported as unrestricted support.

Donated investments are reflected as contributions at their market values at the date of receipt. Dividend and interest income and gains and losses on investments are reflected in current unrestricted activities unless temporarily or permanently restricted, either by law or explicit donor stipulation, in which case they would be reported in either temporarily or permanently restricted activities. During the years ended June 30, 2015 and 2014, the value of donated investments was \$16,288 and \$23,484, respectively, which were immediately converted to cash. During the years ended June 30, 2015 and 2014, Mentors recorded net realized gains of \$74 and net realized losses of \$162, respectively, which have been recorded as other revenues.

Mentors also recognizes contribution revenue for donated property, equipment and materials in the period received at the property's fair value. If donated assets have questionable or uncertain value and no alternative use that adds value to the assets, Mentors does not recognize them in the financial statements. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Mentors reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Also, Mentors occasionally receives donations or contributions through services performed. The fair value of the donated services are recognized in the financial statements if the services either (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. Services that do not meet either of the preceding criteria are not recognized. Donated services are recorded at their fair value.

In addition, no amounts have been reflected in the financial statements for donated volunteer services, which do not satisfy the criteria for recognition under GAAP; however, a substantial number of volunteers have donated significant amounts of time to Mentors' programs.

MENTORS INTERNATIONAL
Notes to the Financial Statements
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Revenue Recognition (Continued)

Special Event Revenue

Special event revenue is recognized in the period when the activity leading to that revenue is performed. Funds received to cover expenses for special event revenue is deferred until the event is held.

Affiliate Fees and Interest Revenue

Mentors charges each of its foreign partner affiliates a monthly affiliation fee based upon that entities' monthly gross profits. These fees represent payments for the support provided by Mentors in obtaining donations and providing training. As described in Note 4, if in any given calendar month, 8.0% of the foreign partner affiliates' gross profits, as defined in the agreement, exceeds the amount of interest to be accrued on the notes receivable in such calendar month, then the foreign partner affiliate shall pay this increased amount to Mentors, as an affiliate fee, in lieu of the interest payment.

h. Investments

Mentors accounts for its investments in marketable securities in accordance with ASC 958-320, *Investments – Debt and Equity Securities*. Under ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Mentors holds an investment in the stock of a privately-held company which has been contributed to Mentors from a donor in prior years with a net investment value of \$30,299 as of June 30, 2015 and 2014, respectively. No impairments were noted for the years ended June 30, 2015 and 2014, respectively.

i. Valuation of Long-Lived Assets

In accordance with impairment or disposal of long-lived assets subsection of ASC Subtopic 360-10, *Property, Plant and Equipment – Overall*, long-lived assets, such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying value of the long-lived assets or asset group is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairment losses were recognized for the years ended June 30, 2015 and 2014, respectively.

j. Advertising Expense

Advertising and promotion expenses are expenses that are incurred by Mentors in an effort to market and promote its brand. These costs are expensed as incurred.

MENTORS INTERNATIONAL
Notes to the Financial Statements
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fair Value of Financial Instruments

Mentors has adopted the provisions of ASC 820, *Fair Value Measurements and Disclosure* (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. ASC 820 establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques.

Mentors determines fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying value of financial instruments including cash, foreign affiliate fees receivable, and accounts payable approximate fair value due to the short-term nature of these instruments. The carrying amounts reported for notes receivable and notes payable approximate fair values because the instruments bear interest at rates that are consistent with other instruments of similar risks and characteristics. Fair value estimates are made at a specific point in time, based on relevant market information.

At June 30, 2015 and 2014, Mentors did not have any financial instruments which meet the following pricing categories which require additional disclosure, other than its investment held in a privately-held company totaling \$30,299 as of June 30, 2015 and 2014, respectively, which investment would be considered a Level 3 investment. The valuation of the stock was determined by Mentors and is based on its overall percentage of the investment company's net assets.

ASC Topic 820, Fair Value Measurements and Disclosures, requires fair value measurements be classified and disclosed in one of the following three categories:

Level 1: Financial instruments with unadjusted, quoted prices listed on an active market exchange.

Level 2: Financial instruments lacking unadjusted, quoted prices from active market exchanges, including over-the-counter traded financial instruments. The prices for the financial instruments are determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3: Financial instruments that are not actively traded on a market exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

MENTORS INTERNATIONAL
Notes to the Financial Statements
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fair Value of Financial Instruments (Continued)

The following is a reconciliation of Level 3 assets for which unobservable inputs were used to determine fair value:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	June 30,	
	2015	2014
Balance, beginning of year	\$ 30,299	\$ 30,299
Realized gains/(losses)	-	-
Unrealized gains/(losses) relating to instruments still held at the reporting date	-	-
Donations received	-	-
Balance, end of year	\$ 30,299	\$ 30,299

l. Concentrations of Credit Risk

Cash and Cash Equivalents

Mentors' bank deposits are held in a financial institution which is insured by the Federal Deposit Insurance Corporation ("FDIC") to certain levels. Mentors has not experienced any losses in such accounts or lack of access to its cash, and believes it is not exposed to significant risk of loss with respect to cash. However, no assurance can be provided that access to Mentor's cash will not be impacted by adverse economic conditions in the financial markets.

At June 30, 2015, Mentors did not have any funds in bank accounts that exceeded the federally insured limits.

Foreign Operations

The majority of Mentors' unconsolidated partner affiliates' operations are carried out in foreign countries. The foreign entities are regulated and subject to the administrative directives, rules, and regulations of the local and national governmental authorities of each region. Such administrative directives, rules, and regulations are subject to change by the same governmental authorities, and such changes may occur with little or no notice and could have a detrimental impact on Mentors, principally as it relates to the collectability of the notes receivable due from each of these foreign entities.

MENTORS INTERNATIONAL
Notes to the Financial Statements
June 30, 2015 and 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Foreign Affiliate Fees Receivable

Net affiliate fees due from the various foreign partner organizations totaling \$42,800 and \$77,427 as of June 30, 2015 and 2014, respectively, are deemed by management to be fully collectible. These affiliate fees are shown net of an allowance for doubtful accounts of \$37,888 and \$41,406 as of June 30, 2015 and 2014, respectively.

n. Allocation of Joint Costs

Mentors allocates joint costs between fundraising and program services or general and administrative in accordance with ASC Subtopic 958-720, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fundraising*.

NOTE 3 - LINE-OF-CREDIT

At June 30, 2014, Mentors had a line-of-credit agreement with a bank that had a maximum borrowing limit of \$75,000. The line bore interest at 4.0% per annum and was scheduled to mature on February 5, 2015. During March 2015, the unpaid principal balance on the line-of-credit, totaling \$34,800, was converted into a note payable with the bank. See Note 6 for the terms of this note payable. The balance outstanding on the line-of-credit at June 30, 2015 and 2014 was \$-0- and \$75,000, respectively.

NOTE 4 - NOTES RECEIVABLE—FOREIGN PARTNER AFFILIATES

Mentors has made significant grants and loans to its foreign partner affiliates in the Philippines, Guatemala, Peru, Honduras, and El Salvador.

Beginning in April 2011, Mentors obtained funds from various individuals pursuant to signed promissory notes payable (see Note 6), which funds were specifically to be re-loaned out to the various foreign partner affiliate entities to be used in the micro-loan (micro-enterprise) program that each foreign partner affiliate is engaged in, including training and mentoring impoverished individuals. Consequently, Mentors has loaned funds to these foreign partner affiliates pursuant to various signed, line-of-credit promissory notes up to certain limits. Mentors has also entered into a security agreement with each entity, granting Mentors a security interest in the property of the foreign partner affiliate. Any advances made to the foreign partner affiliates are subject to an interest rate of 5.0% per annum until paid.

Alternatively, however, if in any given calendar month, 8.0% of the foreign partner affiliates' gross profits, as defined in the agreement, exceeds the amount of interest to be accrued in such calendar month, then the foreign partner affiliate shall pay this increased amount to Mentors in lieu of the interest payment. This payment shall be defined as affiliate fee revenue rather than interest income. For the years ended June 30, 2015 and 2014, affiliate fee revenue (in lieu of interest income) was \$110,504 and \$79,995, respectively.

Amounts outstanding pursuant to these promissory notes receivable mature on the five-year anniversary of the date of the promissory note (for previous advances made prior to the signing of the promissory note), or the five-year anniversary of the additional advance date.

MENTORS INTERNATIONAL
Notes to the Financial Statements
June 30, 2015 and 2014

NOTE 4 - NOTES RECEIVABLE—FOREIGN PARTNER AFFILIATES (Continued)

Prior to the year ended June 30, 2012, Mentors had recorded these notes receivable, including any accrued interest, net of an allowance for non-collections. Effective July 1, 2011, management of Mentors elected to treat any previously recorded notes receivable, including any accrued interest to that date, as an operational grant to these foreign partner affiliates since Mentors no longer expects to pursue collection of these previously outstanding amounts. However, Mentors fully expects to collect on any advances made subsequent to the signing of the promissory notes during early 2011, thus any advances made since April 2011 are being recorded as notes receivable rather than an operational grant. Mentors retains the right and ability to pursue collection on these previous amounts, if they desire, but currently does not expect to.

The following chart summarizes the activity on these notes receivable, by individual foreign entity, during the years ended June 30, 2015 and 2014:

	<u>Philippines</u>	<u>Guatemala</u>	<u>Peru</u>	<u>Honduras</u>	<u>Total</u>
Balance, July 1, 2013	\$636,000	\$217,800	\$120,000	\$60,000	\$1,033,800
Additional advances made	-	34,988	-	-	34,988
Balance, June 30, 2014	636,000	252,788	120,000	60,000	1,068,788
Payments applied	-	(12,500)	(2,500)	-	(15,000)
Balance June 30, 2015	<u>\$636,000</u>	<u>\$240,288</u>	<u>\$117,500</u>	<u>\$60,000</u>	<u>\$1,053,788</u>

Future maturities of the resulting notes receivable as of June 30, 2015 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 311,429
2017	314,115
2018	314,115
2019	114,129
2020 and thereafter	-
Total	<u>\$ 1,053,788</u>

NOTE 5 - RELATED PARTY TRANSACTIONS

Mentors receives significant contributions from members of its Board of Directors. Contributions from members of the Board of Directors were \$87,825 and \$79,700 for the years ended June 30, 2015 and 2014, respectively.

MENTORS INTERNATIONAL
Notes to the Financial Statements
June 30, 2015 and 2014

NOTE 6 - NOTES PAYABLE AND ACCRUED INTEREST

At June 30, 2015 and 2014, Mentors had notes payable due to various individuals and entities totaling \$1,068,709. Each of the notes bears interest at 8.0% per annum. 50% of all interest accrued annually on the principal balance of each note is payable on a quarterly basis beginning three (3) months from the date of the note. Payment on the remaining 50% of all interest accrued annually is deferred until the maturity date. In addition, 50% of the principal is due on the fifth (5th) annual anniversary of the date of the note, and the remaining 50% of the principal is due on the sixth (6th) annual anniversary of the date of the note. Accrued interest on the notes payable at June 30, 2015 and 2014 was \$171,799 and \$129,051, respectively.

During October and November 2015, certain note holders with notes totaling \$926,209 entered into amended note agreements. Pursuant to these amended agreements, 50% of the principal which was due on the fifth (5th) annual anniversary of the date of the note was extended to the sixth (6th) anniversary date of the note, and the remaining 50% of the principal which was due on the sixth (6th) annual anniversary of the date of the note was extended to the seventh (7th) anniversary date of the note. Also, payment of the remaining 50% of interest accrued annually was extended by one (1) year to the new maturity date. The future maturities on the amended notes have been updated as shown below to reflect these changes although the revisions occurred subsequent to June 30, 2015.

As discussed in Note 3, during March 2015, the unpaid principal balance on a bank line-of-credit, totaling \$34,800, was converted into a note payable with the bank. This new note bears interest at 6.5% per annum and is unsecured. Mentors is to pay this note in full immediately upon demand by the bank. If no demand is made, Mentors is to make monthly principal and interest payments of \$1,094 until the note matures on February 5, 2018. Since it is not currently expected that the bank will demand immediate payment, the future maturities on the note are being presented in accordance with the maturity schedule. Mentors is required to maintain a debt service coverage ratio of at least 1.20 on an annual basis. As of June 30, 2015, Mentors was in compliance with this financial covenant.

Future maturities of notes payable and accrued interest as of June 30, 2015 are as follows (which reflect the revised due dates pursuant to the amended agreements as previously discussed):

<u>Year Ending June 30,</u>	<u>Notes Payable</u>	<u>Accrued Interest</u>
2016	\$ 36,351	\$ 5,747
2017	243,982	8,286
2018	517,905	69,633
2019 and thereafter	<u>302,500</u>	<u>88,133</u>
Total	<u>\$ 1,100,738</u>	<u>\$ 171,799</u>

MENTORS INTERNATIONAL
Notes to the Financial Statements
June 30, 2015 and 2014

NOTE 7 - RETIREMENT PLAN

Mentors' employees participate in a defined-contribution employee benefit plan incorporating provisions of Section 401(k) of the Internal Revenue Code. Employees who have at least one year of service are eligible to participate. Mentors matches 100% of eligible employee contributions up to an employee's contribution of 3% of their compensation, and matches 50% of eligible employee contributions up to an employee's additional contribution of 2% of compensation. Matching contributions by Mentors during the years ended June 30, 2015 and 2014 totaled \$10,693 and \$11,430, respectively.

NOTE 8 - LEASE COMMITMENTS

Mentors leases its Draper, Utah administrative offices from a third party under an operating lease expiring in December 2015. For the years ended June 30, 2015 and 2014, rent expense totaled \$43,109 and \$42,354, respectively. Minimum future lease payments under this lease commitment are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 22,242
2017 and thereafter	-
Total	<u>\$ 22,242</u>

NOTE 9 - ALLOCATION OF JOINT COSTS

During the years ended June 30, 2015 and 2014, Mentors incurred joint costs of \$704,793 and \$719,720, respectively, for activities that included fundraising appeals. These joint costs were allocated as follows:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Program Services	\$ 629,153	\$ 650,778
General and Administrative	61,444	46,290
Fundraising	<u>14,196</u>	<u>22,652</u>
Total	<u>\$ 704,793</u>	<u>\$ 719,720</u>

NOTE 10 - SUBSEQUENT EVENTS

For purposes of these financial statements and all disclosures, subsequent events were evaluated through December 18, 2015, which is the date the financial statements were available to be issued, and management noted no material subsequent events that would require disclosure in or adjustment to these financial statements as of June 30, 2015, except as follows.

As discussed more fully in Note 6, during October and November 2015, the terms of certain notes payable due to various individuals were amended, to extend the timing on when certain required principal and interest payments are due.

MENTORS INTERNATIONAL
Notes to the Financial Statements
June 30, 2015 and 2014

NOTE 10 - SUBSEQUENT EVENTS (Continued)

During October 2015, a foundation donated \$300,000 to Mentors and pledged to donate an additional \$300,000 in calendar years 2016 and 2017, respectively.