MENTORS
INTERNATIONAL

Independent Auditors' Report
and
Financial Statements for the Years Ended

June 30, 2013 and 2012

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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

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, 2013 and 2012 and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended.

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 audit opinion.

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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. 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, 2013 and 2012, as discussed in Note 4.

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, 2013 and 2012, 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, P.C.

Stayner, Bates & Jensen, PC
Salt Lake City, Utah
December 16, 2013

MENTORS INTERNATIONAL
Statements of Financial Position
June 30, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 191,593	$ -	$ 191,593	$ 160,435	$ -	$ 160,435
Foreign affiliate fees receivable (Note 2)	58,313	-	58,313	24,893	-	24,893
Prepaid expenses and other current assets	12,284	-	12,284	6,177	-	6,177
Total Current Assets	262,190	-	262,190	191,505	-	191,505
PROPERTY AND EQUIPMENT (Note 2)						
Office furnishings and equipment	24,144	-	24,144	17,854	-	17,854
Leasehold improvements	11,426	-	11,426	11,426	-	11,426
Software	89,345	-	89,345	89,345	-	89,345
Less: accumulated depreciation and amortization	(117,876)	-	(117,876)	(98,972)	-	(98,972)
Total Property and Equipment	7,039	-	7,039	19,653	-	19,653
OTHER ASSETS						
Investments, cost (Note 2)	30,299	-	30,299	7,500	-	7,500
Notes receivable - foreign partner affiliates (Notes 1 and 4)	1,033,800	-	1,033,800	1,023,800	-	1,023,800
Other assets	3,385	-	3,385	3,385	-	3,385
Total Other Assets	1,067,484	-	1,067,484	1,034,685	-	1,034,685
TOTAL ASSETS	$ 1,336,713	$ -	$ 1,336,713	$ 1,245,843	$ -	$ 1,245,843

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

MENTORS INTERNATIONAL
Statements of Financial Position (Continued)
June 30, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable and accrued expenses	$ 215,819	$ -	$ 215,819	$ 123,616	$ -	$ 123,616
Accrued interest (Note 6)	86,303	-	86,303	43,554	-	43,554
Line-of-credit (Note 3)	75,000	-	75,000	174,881	-	174,881
Total Current Liabilities	377,122	-	377,122	342,051	-	342,051
LONG-TERM LIABILITIES						
Notes payable (Note 6)	1,068,709	-	1,068,709	1,068,709	-	1,068,709
TOTAL LIABILITIES	1,445,831	-	1,445,831	1,410,760	-	1,410,760
NET ASSETS						
Unrestricted	(109,118)	-	(109,118)	(164,917)	-	(164,917)
Temporarily restricted	-	-	-	-	-	-
Total Net Assets	(109,118)	-	(109,118)	(164,917)	-	(164,917)
TOTAL LIABILITIES AND NET ASSETS	$ 1,336,713	$ -	$ 1,336,713	$ 1,245,843	$ -	$ 1,245,843

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, 2013 and 2012

	2013			2012		
	Unrestricted	**Temporarily Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Total**
Revenues and Support from Operations						
Public Support:						
Contributions	$ 806,243	$ 1,635	$ 807,878	$ 775,851	$ 5,375	$ 781,226
In-kind donations	24,799	-	24,799	-	-	-
Special events	363,689	-	363,689	308,106	-	308,106
Less: direct costs of special events	(204,429)	-	(204,429)	(129,763)	-	(129,763)
Total Public Support	990,302	1,635	991,937	954,194	5,375	959,569
Revenue:						
Affiliate fees, interest, and other revenue	78,444	-	78,444	98,489	-	98,489
Total Revenue	78,444	-	78,444	98,489	-	98,489
Temporarily restricted funds released from restriction	1,635	(1,635)	-	5,375	(5,375)	-
Total Revenues and Support from Operations	1,070,381	-	1,070,381	1,058,058	-	1,058,058
Operating Expenses						
Program Services	946,360	-	946,360	2,057,800	-	2,057,800
Supporting Services:						
Fundraising costs	12,113	-	12,113	25,706	-	25,706
General and administrative	56,109	-	56,109	113,861	-	113,861
Total Supporting Services	68,222	-	68,222	139,567	-	139,567
Total Operating Expenses	1,014,582	-	1,014,582	2,197,367	-	2,197,367
Change in Net Assets	55,799	-	55,799	(1,139,309)	-	(1,139,309)
Net Assets at Beginning of Year	(164,917)	-	(164,917)	974,392	-	974,392
Net Assets at End of Year	$ (109,118)	$ -	$ (109,118)	$ (164,917)	$ -	$ (164,917)

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

MENTORS INTERNATIONAL
Statement of Functional Expenses
For the Year Ended June 30, 2013

	Program Services	Fundraising Costs	General and Administrative	Total Expenses
Operational grants to foreign partner affiliates (Note 4)	$ 42,473	$ -	$ -	$ 42,473
Salaries and related costs	567,941	9,066	43,283	620,290
Bank fees	14,355	3	6	14,364
Board expenses	478	-	477	955
Information technology	27,117	-	303	27,420
Insurance	3,477	56	117	3,650
Interest expense	93,934	-	-	93,934
Office supplies	4,591	347	334	5,272
Maintenance and repair	-	-	8	8
Printing	3,684	98	203	3,985
Professional services	56,983	1,133	2,969	61,085
Public relations	6,155	110	-	6,265
Office rent	33,453	725	6,818	40,996
Foreign rental commitments	2,600	-	-	2,600
Telephone and internet	4,643	-	524	5,167
Travel	51,894	58	-	51,952
Training	13,222	-	-	13,222
Total Functional Expenses before Depreciation	927,000	11,596	55,042	993,638
Depreciation	19,360	517	1,067	20,944
Total Functional Expenses	$ 946,360	$ 12,113	$ 56,109	$ 1,014,582

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

MENTORS INTERNATIONAL
Statement of Functional Expenses
For the Year Ended June 30, 2012

	Program Services	Fundraising Costs	General and Administrative	Total Expenses
Operational grants to foreign partner affiliates (Note 4)	$ 1,344,515	$ -	$ -	$ 1,344,515
Salaries and related costs	464,222	18,648	94,073	576,943
Bank fees	10,102	36	79	10,217
Board expenses	23	630	527	1,180
Information technology	26,318	1,272	206	27,796
Insurance	4,134	-	-	4,134
Interest expense	77,144	-	-	77,144
Office supplies	4,678	385	326	5,389
Maintenance and repair	113	7	13	133
Printing	708	628	-	1,336
Professional services	37,660	1,655	4,688	44,003
Public relations	3,953	-	-	3,953
Office rent	28,962	1,342	11,025	41,329
Telephone and internet	4,204	156	318	4,678
Travel	10,107	-	-	10,107
Training	20,823	-	-	20,823
Total Functional Expenses before Depreciation	2,037,666	24,759	111,255	2,173,680
Depreciation	20,134	947	2,606	23,687
Total Functional Expenses	$ 2,057,800	$ 25,706	$ 113,861	$ 2,197,367

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

MENTORS INTERNATIONAL
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

		2013		2012
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	$	55,799	$	(1,139,309)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Operational grants to foreign partner affiliates		-		1,257,692
Donated investment securities		(22,799)		-
Depreciation		20,944		23,687
Changes in assets and liabilities:				
Increase in foreign affiliate fees receivable		(33,420)		(24,893)
Increase in prepaid expenses and other assets		(6,107)		(2,154)
Increase in accounts payable and accrued expenses		134,952		2,180
Net Cash Provided by Operating Activities		149,369		117,203
CASH FLOWS FROM INVESTING ACTIVITIES:				
Advances on notes receivable, foreign partner affiliates		(10,000)		(601,309)
Purchases of property and equipment		(8,330)		(6,249)
Net Cash Used in Investing Activities		(18,330)		(607,558)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds received on notes payable		-		627,500
Change in line-of-credit		(99,881)		(3,178)
Net Cash Provided (Used) by Financing Activities		(99,881)		624,322
NET INCREASE IN CASH AND CASH EQUIVALENTS		31,158		133,967
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		160,435		26,468
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	191,593	$	160,435
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash Payments For:				
Interest	$	51,468	$	46,840

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

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 in developing countries is to foster the establishment of partner organizations to assist families that struggle for self-sufficiency to attain a self-reliant livelihood through small enterprise activities by providing principle-based training, character development, counseling, mentoring, and micro-finance services for productive purposes. Mentors' mission in developed countries is to provide those having the means and desire to assist the impoverished in a meaningful and lasting way with proven and practical methods of self-help to extend, not hand-outs, but a hand up.

Although not consolidated in the accompanying financial statements as of and for the years ended June 30, 2013 and 2012, Mentors has formed its own partner organizations in the following countries:

Country	Name of Organization
Philippines	Mentors Philippines Microfinance Foundation, Inc.
Guatemala	Fundación Mentors Guatemala
Peru	Asociación Civil Mentors Perú
Honduras	Mentors Honduras, S.R.L.

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, 2013 and 2012 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.

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 adopted the provisions of Accounting Standards Codification 958, *Not-for-Profit Entities* (ASC 958) and Accounting Standards Codification 720-25, *Contributions Made* (ASC 720-25). Under these ASCs, 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 temporarily or permanently restricted as of June 30, 2013 and 2012, defined as follows:

<u>Temporarily Restricted Net Assets</u>

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.

<u>Unrestricted Net Assets</u>

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Foundation files a Form 990 tax return.

As of June 30, 2013 and for the year then ended, the Foundation 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 the Foundation to be considered unrelated business income that could result in income tax. For the years ended June 30, 2013 and 2012, there was no tax interest or penalties reflected in the statement of activities or in the statement of financial position. The Foundation is no longer subject to U.S. federal, state, and local income tax examinations by taxing authorities for years before 2009.

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. 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, 2013 and 2012 was $20,944 and $23,687, respectively.

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, and the economic useful lives and recovery of long-lived assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Other expenses relate to two or more major programs and are allocated in accordance with ASC Topic No. 958, *Not-for-Profit Entities*. These expenses are subject to systematic review and allocation.

g. Contributions

Contributions, grants, and bequests including unconditional promises to give, are recognized upon receipt as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that will be received within one year from the balance sheet date are not discounted. Contributions outstanding longer than the payment terms are considered past due.

Volunteers and donors contribute substantial amounts of services, materials, and facilities toward the fulfillment of Mentors' programs. To the extent these contributions satisfy the criteria for recognition under generally accepted accounting principles (GAAP), they are recognized as contributions and expenses in the statement of activities and changes in net assets or are capitalized in the statement of financial position. The donated amounts recognized are generally recorded at the fair market value represented on the vendor invoice, or an estimated fair value as can best be approximated for similar items or services. For the years ended June 30, 2013 and 2012, Mentors recorded donated services of $2,000 and $-0-, respectively, in the accompanying financial statements.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Mentors holds an investment in the stock of a privately-held company, which stock has been contributed to Mentors from a donor. During the year ended June 30, 2013, Mentors received an additional donation of $22,799 worth of stock, bringing the net investment from $7,500 as of June 30, 2012 to $30,299 as of June 30, 2013. No impairments were noted for the years ended June 30, 2013 and 2012.

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.

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.

k. Fair Value of Financial Instruments

The carrying value of financial instruments including cash, foreign affiliate fees receivable, accounts payable, and accrued expenses 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Fair Value of Financial Instruments (Continued)

At June 30, 2013 and 2012, 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 and $7,500 as of June 30, 2013 and 2012, 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.

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,	
	2013	2012
Balance, beginning of year	$ 7,500	$ 7,500
Realized gains/(losses)	-	-
Unrealized gains/(losses) relating to instruments still held at the reporting date	-	-
Donations received	22,799	-
Balance, end of year	$ 30,299	$ 7,500

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013, 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.

m. Foreign Affiliate Fees Receivable

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.

Affiliate fees due from the various foreign partner organizations totaling $58,313 and $24,893 as of June 30, 2013 and 2012, respectively, are deemed by management to be fully collectible.

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, 2012, Mentors had a line-of-credit agreement with a bank that had a maximum borrowing limit of $175,000 and an outstanding balance of $174,881. The line bore interest at 4.05% per annum and matured on February 5, 2013. Subsequently, Mentors negotiated a new line-of-credit agreement with the same bank that has a maximum borrowing limit of $75,000. This new line bears interest at 4.3% per annum and matures on February 5, 2014. The balance outstanding on the new line-of-credit at June 30, 2013 was $75,000.

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, 2013 and 2012, affiliate fee revenue (in lieu of interest income) was $72,678 and $97,500, 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.

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.

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

The following chart summarizes the activity on these notes receivable, by individual foreign entity, during the years ended June 30, 2012 and 2013:

	Philippines	Guatemala	Peru	Honduras	El Salvador	Total
Balance, July 1, 2011	$741,083	$485,146	$264,649	$54,305	$ 135,000	$1,680,183
Additional advances made	268,873	167,800	120,000	44,636	-	601,309
Operational grants approved	(373,956)	(435,146)	(264,649)	(48,941)	(135,000)	(1,257,692)
Balance, June 30, 2012	636,000	217,800	120,000	50,000	-	1,023,800
Additional advances made	-	-	-	10,000	-	10,000
Balance June 30, 2013	$636,000	$217,800	$120,000	$60,000	$ -	$1,033,800

Future maturities of the resulting notes receivable as of June 30, 2013 is as follows:

Year Ending June 30,	Amount
2014	$ -
2015	-
2016	439,000
2017	584,800
2018	10,000
2019 and thereafter	-
Total	$ 1,033,800

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 $83,300 and $97,700 for the years ended June 30, 2013 and 2012, respectively.

NOTE 6 - NOTES PAYABLE

At June 30, 2013 and 2012, 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, 2013 and 2012 was $86,303 and $43,554, respectively.

NOTE 6 - NOTES PAYABLE (Continued)

Future maturities of notes payable as of June 30, 2013 are as follows:

Year Ending June 30,	Amount
2014	$ -
2015	-
2016	534,354
2017	534,355
2018 and thereafter	-
Total	$ 1,068,709

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, 2013 and 2012 totaled $10,970 and $11,029, respectively.

NOTE 8 - LEASE COMMITMENTS

Mentors leases its Draper, Utah administrative offices from a third party under an operating lease expiring in December 2014. For the years ended June 30, 2013 and 2012, rent expense totaled $40,996 and $41,329, respectively. Minimum future lease payments under this lease commitment are as follows:

Year Ending June 30,	Amount
2014	$ 42,234
2015	21,380
2016 and thereafter	-
Total	$ 63,614

NOTE 9 - ALLOCATION OF JOINT COSTS

During the years ended June 30, 2013 and 2012, Mentors incurred joint costs of $831,403 and $736,691, respectively, for activities that included fundraising appeals. These joint costs were allocated as follows:

	June 30,	
	2013	2012
Program Services	$ 764,493	$ 597,124
General and Administrative	54,797	113,861
Fundraising	12,113	25,706
Total	$ 831,403	$ 736,691

NOTE 10 - SUBSEQUENT EVENTS

For purposes of these financial statements and all disclosures, subsequent events were evaluated through December 16, 2013, which is the date the financial statements were available to be issued, and management noted no material subsequent events that would require disclosure in these financial statements as of June 30, 2013.