ZENO

FINANCIAL STATEMENTS

AUGUST 31, 2016

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HUEBNER, DOOLEY & MCGINNESS, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Zeno
Seattle, Washington

We have audited the accompanying financial statements of Zeno, which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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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Opinion

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

HUEBNER, DOOLEY & MCGINNESS, P.S.

Shoreline, Washington
January 27, 2017

ZENO

STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2016

ASSETS

Current assets:		
Cash and cash equivalents	$	716,516
Pledge receivable		25,000
Prepaid expenses and deposits		4,291
Total current assets		745,807
Fixed annuity insurance contracts (Note 3)		204,209
Furniture and equipment, net of accumulated depreciation of $27,613		8,546
Total assets	$	958,562

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	$	7,830
Other liabilities (Note 4)		30,000
Total current liabilities		37,830
Net assets:		
Unrestricted		900,732
Temporarily restricted (Note 4)		20,000
Total net assets		920,732
Total liabilities and net assets	$	958,562

See independent auditors' report and accompanying notes to financial statements.

ZENO

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	$ 685,438	$ -	$ 685,438
Program service fees	15,274	-	15,274
Special events revenue	194,612	-	194,612
Direct costs of special events	(41,236)	-	(41,236)
In-kind contributions	20,377	-	20,377
Interest income	5,030	-	5,030
	879,495	-	879,495
Net assets released from restrictions	24,260	(24,260)	-
Total support and revenue	903,755	(24,260)	879,495
Expenses:			
Program services	491,155	-	491,155
Management and general	118,525	-	118,525
Fundraising	194,786	-	194,786
Total expenses	804,466	-	804,466
Change in net assets	99,289	(24,260)	75,029
Net assets, August 31, 2015	801,443	44,260	845,703
Net assets, August 31, 2016	$ 900,732	$ 20,000	$ 920,732

See independent auditors' report and accompanying notes to financial statements.

ZENO

STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2016

Cash flows from operating activities:	
Change in net assets	$ 75,029
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation	1,495
Reinvestment of earnings on fixed annuity insurance contracts	(4,199)
(Increase) decrease in assets:	
Pledge and fees receivable	(24,325)
Prepaid expenses and deposits	(2,671)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(2,859)
Other liabilities	(25,740)
Net cash provided by operating activities	16,730
Cash flows from investing activities:	
Purchase of furniture and equipment	(9,000)
Net cash used in investing activities	(9,000)
Net increase in cash and cash equivalents	7,730
Cash and cash equivalents, August 31, 2015	708,786
Cash and cash equivalents, August 31, 2016	$ 716,516

See independent auditors' report and accompanying notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:
Zeno, formerly known as Explorations in Math, was created in August 2006. Zeno's works in low income communities to build kids' confidence and competence in math through fun and engaging games, with a focus on early learning and working through the adults in kids' lives. Zeno is located in Seattle, Washington. Programs include:

- MathWays for Early Learning
- Family Math Nights
- Math & Science Mashups (a partnership with Seattle's Pacific Science Center)
- MathFest

Basis of Accounting:
Zeno's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation:
The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, *Not-for-Profits*. This Topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset classes according to donor-imposed restrictions. Accordingly, the net assets of Zeno have been reported as follows:

- *Unrestricted net assets* are those currently available at the discretion of the board for use in the activities of the organization.

- *Temporarily restricted net assets* are those stipulated by donors for specific operating purposes.

- *Permanently restricted net assets* are in the form of endowment or sustaining funds in which only the income from such funds may be expended. Zeno had no permanently restricted net assets at August 31, 2016.

Net assets of the temporarily and permanently restricted class are created only by donor-imposed restrictions on the use of funds. All other net assets, including board-designated or appropriated amounts, are reported as part of the unrestricted class.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses:
Costs have been summarized by the various program services and other activities in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services on the basis of benefits received.

Cash and Cash Equivalents:
Zeno considers all highly-liquid investments purchased with original maturities of three months or less to be cash and cash equivalents.

Pledge and Other Receivables:
Receivables are considered to be past due when they have been outstanding for more than 30 days. Management reviews the collectability of receivables on a periodic basis and determines the appropriate amount of any allowance (none was necessary at August 31, 2016). When an account is deemed uncollectible, it is generally written off against the allowance. Zeno does not generally require collateral for any of its receivables and does not accrue interest. All receivables outstanding as of August 31, 2016 were subsequently collected after the fiscal year end.

Furniture and Equipment and Depreciation:
Furniture and equipment purchased by Zeno is recorded at cost. Equipment donated to Zeno is capitalized at its estimated fair value. Zeno has a policy to expense the acquisition cost of equipment if its cost is less than $1,000 in the year that the equipment is purchased. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts and any gain or loss is included in income.

Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations over estimated service lives. The straight-line method of depreciation is used for assets with lives ranging from three to five years. Depreciation expense for the year ended August 31, 2016 was $1,495.

Impairment of Long-Lived Assets:
At each reporting date, long-lived assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of Support and Revenue:
Zeno reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities and changes in net assets as net assets released from restriction. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Zeno reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the assets are to be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, Zeno reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contribution Revenue:
Contribution revenue mainly represents amount donated by individuals, corporations, and foundations.

In-Kind Contributions:
Contributed goods are recorded at the estimated fair market value at the date of receipt and were primarily printing services and special event donations. Zeno recognizes contributed services that creates or enhances nonfinancial assets or that require specialized skills, which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. For the year ended August 31, 2016, Zeno recorded $20,377 of contributed goods and services, which were contributed as part of the annual fundraising event.

Program Service Fees:
Program service fees consist of revenue received from partner organizations, such as schools or libraries, to pay for training or materials provided by Zeno to support Early Learning or Elementary math activities (in support of MathWays for Early Learning or Family Math Nights, for example).

Program expenses mainly represent costs related to math events and activities.

Advertising Expense:
The cost of advertising and marketing is expensed as incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Risk:
Zeno maintains cash balances at several financial institutions. Beginning January 1, 2013, all of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount ($250,000), for each deposit insurance ownership category. Zeno has not experienced any losses with these accounts, and management believes it is not exposed to any significant credit risk on its cash balances.

Zeno receives a substantial amount of its annual support and revenues through grants and contributions. A significant change in or reduction in the level of this support and revenues, if it were to occur, might have a significant effect on Zeno's programs and activities. One contributor provided 43% of total support and revenue during the year ended August 31, 2016.

Use of Estimates:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that reflect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status:
Zeno is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Therefore, Zeno has made no provision for federal income taxes in the accompanying financial statements. In addition, there was no unrelated business income for the year ended August 31, 2016.

Zeno accounts for tax positions in accordance with FASB Accounting Standards Codification Topic 740, *Income Taxes*. With few exceptions, Zeno is subject to federal and state income tax examinations by tax authorities for the prior three years. Management has reviewed Zeno's tax positions and determined there were no uncertain tax positions as of August 31, 2016.

Date of Management's Review:
In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 27, 2017, the date the financial statements were available to be issued.

NOTE 2 – OPERATING LEASE

Zeno leases its administrative office space under an operating lease. The original lease agreement dated January 10, 2010 has been extended through June 30, 2019. The base monthly rent, including maintenance costs, approximated $2,556 effective January 1, 2016, and increases annually at the start of the calendar year in accordance with the increase in the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers. Rent expense was $33,660 for the year ended August 31, 2016.

Minimum future annual lease payments are as follows for the years ending August 31:

	Amount
2017	$ 30,674
2018	30,674
2019	25,562
	$ 86,910

NOTE 3 – FIXED ANNUITY INSURANCE CONTRACTS

In January 2015, the Board of Directors approved the purchase of four fixed annuity insurance contracts with an original cost value of $50,000 each. These contracts earn interest at 1.15% compounded annually, and have three-year maturities. Fixed annuities are not securities and are not covered by the Securities Investor Protection Corporation (SPIC). Early withdrawal of these contracts may result in penalties. The total annuity value of these four contracts as of August 31, 2016 was $204,209, which approximates fair value. Zeno earned $4,199 of return on these contracts during the year ended August 31, 2016, which has been included in interest income in the accompanying statement of activities and changes in net assets.

NOTE 4 – PARTNERSHIP WITH THE PACIFIC SCIENCE CENTER

In October 2014, Zeno received $150,000 to fund a three-year partnership between Zeno and the Pacific Science Center to produce a program called Mashup. During the year ended August 31, 2015 (first year of partnership), Zeno recognized $20,000 of unrestricted revenue and distributed $30,000 to the Pacific Science Center. During the year ended August 31, 2016 (second year of partnership), Zeno recognized $24,260 of unrestricted revenue and distributed $25,740 to the Pacific Science Center. Management believes Zeno will recognize $20,000 of unrestricted revenue and distribute $30,000 to the Pacific Science Center during the year ended August 31, 2017 (final year of partnership). Accordingly, and as of August 31, 2016, Zeno has recorded $20,000 as temporarily restricted net assets and $30,000 as other liabilities in the accompanying statement of financial position.