

**MINDDRIVE, Incorporated**

Financial Statements

and

Independent Auditor's Report

For the Year Ended July 31, 2022

# MINDDRIVE, Incorporated

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# HIGDON & HALE

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Of MINDRIVE, Incorporated

### Opinion

We have audited the accompanying financial statements of MINDRIVE, Incorporated (a nonprofit organization), which comprise the statement of financial position as of July 31, 2022, and the related statements of activities and cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MINDRIVE, Incorporated as of July 31, 2022 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MINDRIVE, Incorporated and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MINDRIVE, Incorporated's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MINDRIVE, Incorporated's internal control. Accordingly, ~~no such opinion~~ is expressed.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MINDRIVE, Incorporated's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink, appearing to read "Heather E Hill". The signature is written in a cursive style with a large, stylized initial "H".

Overland Park, KS

March 27, 2023

**MINDDRIVE, Incorporated**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JULY 31, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash	\$	187,055
Contributions and Contracts Receivable		142,503
Inventory of Automobiles		5,210
Investments at Market		83
Total Current Assets		334,851

<b>PROPERTY AND EQUIPMENT, net of Accumulated Depreciation</b>		12,252
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Total Assets	\$	347,103
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	7,978
Payroll Taxes Withheld and Payable		15,756
Total Current Liabilities		23,734

Total Liabilities		23,734
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**NET ASSETS**

Net Assets Without Donor Restrictions		88,221
Net Assets With Donor Restrictions		235,148
Total Net Assets		323,369

Total Liabilities and Net Assets	\$	347,103
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See independent auditor's report.  
The accompanying notes are an integral part of these financial statements.

**MINDDRIVE, Incorporated**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JULY 31, 2022**

	Without donor restrictions	With donor restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public Support:			
Contributions and Grants			
Foundations	\$ 206,005	302,800	\$ 508,805
Individuals	34,807	2,500	37,307
Corporations	43,750	34,000	77,750
United Way	646	-	646
Government	-	97,773	97,773
In-kind Contributions	22,808	-	22,808
Revenue:			
Program Service Revenue	92,600	-	92,600
Event Sponsorship, net of costs of direct benefits to donors of \$7,104	58,896		58,896
Interest and Other Income	191	-	191
Net Assets Released from Restrictions	349,174	(349,174)	-
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>808,877</b>	<b>87,899</b>	<b>896,776</b>
<b>EXPENSES</b>			
Program Services:			
STEM Programs	675,502	-	675,502
<b>TOTAL PROGRAM SERVICES</b>	<b>675,502</b>	<b>-</b>	<b>675,502</b>
Supporting Services:			
Administration	85,327	-	85,327
Fundraising	76,327	-	76,327
<b>TOTAL EXPENSES</b>	<b>837,156</b>	<b>-</b>	<b>837,156</b>
<b>CHANGE IN NET ASSETS</b>	<b>(28,279)</b>	<b>87,899</b>	<b>59,620</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>116,500</b>	<b>147,249</b>	<b>263,749</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 88,221</b>	<b>\$ 235,148</b>	<b>\$ 323,369</b>

See independent auditor's report.

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

**MINDDRIVE, Incorporated**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JULY 31, 2022**

	<b>STEM Programs</b>	<b>Administration</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 311,837	\$ 39,557	\$ 45,386	\$ 396,780
Payroll Taxes and Employee Benefits	37,933	5,661	6,866	50,460
Contract Services	4,560	64	650	5,274
Occupancy Expenses	45,468	1,703	473	47,644
Office Expenses	6,163	626	1,219	8,008
Information Technology	8,694	1,563	6,607	16,864
Direct Program Supplies and Expenses	213,431	-	-	213,431
Travel and Transportation	21,927	2,655	2,120	26,702
Professional Fees	13,866	26,829	11,454	52,149
Insurance	7,439	944	1,083	9,466
Advertising	930	24	-	954
Other Operating Expenses	379	5,336	7,154	12,869
Depreciation expense	2,875	365	419	3,659
<b>Total Expenses By Function</b>	<b>\$ 675,502</b>	<b>\$ 85,327</b>	<b>\$ 83,431</b>	<b>\$ 844,260</b>
<b>Less: Expenses included with revenues on the statement of activities:</b>				
<b>Direct benefit to donors</b>	-	-	(7,104)	(7,104)
<b>Total expenses included in the expense section of the statement of activities</b>	<b>\$ 675,502</b>	<b>\$ 85,327</b>	<b>\$ 76,327</b>	<b>\$ 837,156</b>

See independent auditor's report.  
The accompanying notes are an integral part of these financial statements.

**MINDDRIVE, Incorporated**  
**STATEMENT OF CASH FLOWS**  
**AS OF JULY 31, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 59,620
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	3,659
Forgiveness of PPP Loan	(42,803)
(Increase) decrease in operating assets:	
Contributions and Contracts Receivable	(97,516)
Increase (Decrease) in operating liabilities:	
Accounts Payable	(118)
Payroll Taxes Withheld and Payable	(3,413)
Other Accrued Liabilities	2,952
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(77,619)</b>

**CASH FLOWS USED FOR INVESTING ACTIVITIES**

Purchase of Property and Equipment	(2,457)
<b>NET CASH FLOWS USED FOR INVESTING ACTIVITIES</b>	<b>(2,457)</b>

**NET INCREASE IN CASH**

(80,076)

**CASH - BEGINNING OF YEAR**

267,131

**CASH - END OF YEAR**

\$ 187,055

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash paid during the year	
Interest	\$ 0
Income Taxes	\$ 0

See independent auditor's report.  
The accompanying notes are an integral part of these financial statements.



**MINDDRIVE, Incorporated**  
**Notes to Financial Statements**  
**For the Year Ended July 31, 2022**

## **1. NATURE OF ACTIVITIES AND PROGRAM DESCRIPTIONS**

**Nature of Activities** – Based in Kansas City, MO, MINDRIVE provides STEM (Science, Technology, Engineering and Math) project-based, experiential learning programs at no charge to underserved and at-risk urban youth. The purpose of the programs is to expose youth to possibilities and opportunities through: technical and vocational skills, team-work, critical thinking, structure, planning, process, success/failure, accomplishment and leadership opportunities in an environment supported by adult volunteer mentors.

During the fiscal year ended July 31, 2022, the Organization served over 150 students from the urban core of Kansas City.

Following is a description of the Organization's functional activities.

**STEM Programs** - included in the base curriculum:

- Welding/fabrication – students learn to weld culminating in fabrication of sculptures they design themselves.
- Electrathon – students design, develop, build, test and race competitive electric vehicles.
- Robotics – students design, construct, test and compete in BattleBot and drone-racing leagues.
- Digital Content Design – students learn basic graphic design, photography, videography and the Adobe Acrobat suite of products resulting in design and development of digital content including social media content and website content.
- Legacy auto conversion – the program on which MINDDRIVE was founded, students convert cars to electric power sources.

**Administration and Fundraising** – Provides oversight of programs, business management, record keeping, budgeting, and other administrative and fundraising activities for the Organization.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting and Presentation** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in

**MINDDRIVE, Incorporated**  
**Notes to Financial Statements**  
**For the Year Ended July 31, 2022**

nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**Cash and Cash Equivalents** – For the purposes of the Statement of Cash Flows, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Accounts Receivable** – Accounts receivable are stated at uncollected balances, less an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. As of July 31, 2022, no allowance was considered necessary.

**Inventory of Automobiles** – inventory consists of vehicles used in the Legacy Auto Conversion program for conversion to electric vehicles and is stated at costs specifically identified.

**Property and Equipment** – Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Major additions and improvements exceeding \$1,000 are capitalized, and routine maintenance and repairs that do not improve or extend the life of the respective assets are charged against net assets in the current period. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 7 years. Depreciation expense for the year totaled \$3,659.

**Long-Lived Assets** – The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and has concluded that no such adjustment is necessary.

**Contributions** – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions.

**Promises to Give** – Unconditional promises to give are recorded as revenues or gains in the period received and as assets, decrease of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization has received no conditional promises to give as of July 31, 2022.

**Donated Assets** – Donated marketable securities, property and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports

**MINDDRIVE, Incorporated**  
**Notes to Financial Statements**  
**For the Year Ended July 31, 2022**

expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

***In-kind contributions*** – Contributed services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization if not contributed.

Although these services did not meet the criteria for recognition in the financial statements, over 50 unpaid volunteer mentors have provided over 2,000 hours in support of the Organization's programs and fundraising activities in the fiscal year ended July 31, 2022.

In-kind contributions recognized as contribution revenue, and as an expense in the Statement of Activities and assets in the Statement of Financial Position totaling \$22,808, are summarized as follows:

Statement of Activities

Rent expense	\$	18,000
Accounting services	\$	4,808

***Functional Expenses*** – The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related benefits, payroll taxes, occupancy, office expenses, insurance expenses, and depreciation.

Allocation of personnel expenses is based on annual time studies to determine an estimate of time and effort. Allocation of the remaining expenses is based on the weighted average of salaries and wages by function.

***Income Taxes*** – No provision for income taxes has been recorded, as the Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for fiscal years ended prior to July 31, 2019..

***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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MINDDRIVE, Incorporated**  
**Notes to Financial Statements**  
**For the Year Ended July 31, 2022**

**Date of Management's Review** – Subsequent events have been evaluated through March 27, 2023 the date that these financial statements were available to be issued, and there were no material events requiring recognition or disclosure.

**3. LIQUIDITY AND AVAILABILITY**

The following represents the Organization's financial assets as of July 31, 2022:

Financial assets at period end:

Cash	\$ 187,055
Money Market Investment	83
Contributions and Contracts Receivable	<u>142,503</u>
Total financial assets	<u>\$ 329,641</u>
Financial assets available to meet general expenditures within one year	<u>\$ 329,641</u>

The Organization receives significant contributions and promises to give restricted by donors, and consider contributions restricted for programs, which are ongoing, major and central to its operations, to be available to meet cash needs for general expenditures.

The Organization's goal is to maintain approximately \$ 316,000 in financial assets to meet three months of cash operating expenses.

**4. FAIR VALUE MEASUREMENT**

The Organization maintains an investment account for the receipt and sale of donated stock. The investment account balance as of July 31, 2022 of \$ 83 was maintained in a money market investment with an \$ 83 fair value.

**MINDDRIVE, Incorporated**  
**Notes to Financial Statements**  
**For the Year Ended July 31, 2022**

**5. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at July 31, 2022:

Computer equipment	\$ 20,347
Other equipment	14,620
Trailer and accessories	7,558
Automobile	2,054
Furniture	<u>14,824</u>
	<u>59,403</u>
Less: Accumulated Depreciation	<u>( 47,151)</u>
	<u>\$ 12,252</u>

Depreciation related to property and equipment totaled \$3,659 for the fiscal year ended July 31, 2022.

**6. OPERATING LEASE**

The Association leases office space under a month-to-month operating lease. Rental expense for the lease totaled \$36,000 for the year ended July 31, 2022 of which \$18,000 was donated in-kind by the landlord.

**7. NET ASSETS**

Net assets with donor restrictions are available for the following purposes as of July 31, 2022:

Program supplies and materials	\$ 137,851
Operating expenses for year ending July 31, 2023	51,089
Personnel expenses	44,000
Evaluation consulting fees	<u>2,208</u>
	<u>\$ 235,148</u>

Net assets of \$349,174 were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors, or by the passage of time.

Program supplies and materials	\$ 110,665
Operating expenses for year ending July 31, 2023	25,929
Personnel expenses	201,315
Evaluation consulting fees	<u>11,265</u>
	<u>\$ 349,174</u>

**MINDDRIVE, Incorporated**  
**Notes to Financial Statements**  
**For the Year Ended July 31, 2022**

**8. MAJOR CONCENTRATIONS**

The organization receives a significant amount of support from individuals, foundations and corporations. Changes in economic conditions and in fundraising efforts may have a significant effect on these revenues.

**9. PAYCHECK PROTECTION PLAN LOAN**

On March 31, 2021 a second draw PPP Loan was obtained for \$42,803. These funds were spent during the appropriate time span and were fully forgiven in the year ended July 31, 2022.