

MINDDRIVE, Incorporated

Financial Statements

and

Independent Auditor's Report

For the Year Ended July 31, 2023

Draft
Discussion Purposes Only
Date: _____

MINDDRIVE, Incorporated

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Of MINDDRIVE, Incorporated

We have audited the accompanying financial statements of MINDDRIVE, Incorporated (a nonprofit organization), which comprise the statement of financial position as of July 31, 2023, and the related statements of activities, functional expenses, 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 MINDDRIVE, Incorporated as of July 31, 2023, 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.

Higdon and Hale CPAs PC
Overland Park, KS
September 9, 2024

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MINDDRIVE, Incorporated
STATEMENT OF FINANCIAL POSITION
AS OF JULY 31, 2023

ASSETS

CURRENT ASSETS

Cash	\$ 144,923
Contributions and Contracts Receivable	222,969
Inventory of Automobiles	5,210
Prepaid Expenses	8,462
Investments at Market	84
Total Current Assets	381,648

PROPERTY AND EQUIPMENT, net of Accumulated Depreciation 10,737

Total Assets \$ 392,385

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 18,380
Payroll Taxes Withheld and Payable	7,365
Other Accrued Liabilities	20,700
Loan from Individual	-
PPP Loan Payable	-
Total Current Liabilities	46,445

Total Liabilities 46,445

NET ASSETS

Net Assets Without Donor Restrictions	99,474
Net Assets With Donor Restrictions	246,466
Total Net Assets	345,940

Total Liabilities and Net Assets \$ 392,385

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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, 2023

	Without donor restrictions	With donor restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Contributions and Grants			
Foundations	\$ 277,320	363,800	\$ 641,120
Individuals	49,289	4,000	53,289
Corporations	74,250	70,000	144,250
United Way	785	-	785
Government	-	91,159	91,159
In-kind Contributions	23,719	-	23,719
Revenue:			
Program Service Revenue	112,750	-	112,750
Event Sponsorship	70,150	-	-
Interest and Other Income	180	-	180
Net Assets Released from Restrictions	517,642	(517,642)	-
TOTAL PUBLIC SUPPORT AND REVENUE	1,126,085	11,317	1,137,402
EXPENSES			
Program Services:			
STEM Programs	886,174	-	886,174
TOTAL PROGRAM SERVICES	886,174	-	886,174
Supporting Services:			
Administration	148,231	-	148,231
Fundraising	80,427	-	80,427
TOTAL EXPENSES	1,114,832	-	1,114,832
CHANGE IN NET ASSETS	11,253	11,317	22,570
NET ASSETS, BEGINNING OF YEAR	88,221	235,149	323,370
NET ASSETS, END OF YEAR	\$ 99,474	\$ 246,466	\$ 345,940

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MINDDRIVE, Incorporated
STATEMENT OF FUNCTIONAL EXPENSES
AS OF JULY 31, 2023

	STEM Programs	Administration	Fundraising	Total
Salaries	\$ 467,167	\$ 92,337	\$ 51,571	\$ 611,075
Payroll Taxes and Employee Benefits	54,524	14,098	8,117	76,739
Contract Services	9,460	-	-	9,460
Occupancy Expenses	51,009	1,372	457	52,838
Office Expenses	8,723	4,076	480	13,279
Information Technology	6,877	1,642	3,231	11,750
Direct Program Supplies and Expenses	229,542	-	-	229,542
Travel and Transportation	26,894	24	-	26,918
Professional Fees	17,485	27,456	11,225	56,166
Insurance	10,865	2,132	1,194	14,191
Advertising	166	-	-	166
Other Operating Expenses	292	4,524	3,832	8,648
Depreciation expense	3,170	570	320	4,060
Total Expenses By Function	\$ 886,174	\$ 148,231	\$ 80,427	\$ 1,114,832
Less: Expenses included with revenues on the statement of activities:				
Direct benefit to donors	-	-	(3,732)	(3,732)
Total expenses included in the expenses	886,174	148,231	76,695	1,111,100

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MINDDRIVE, Incorporated
STATEMENT OF CASH FLOWS
AS OF JULY 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	22,570
Adjustments to reconcile change in net assets to net cash used for operating activities:		
In-Kind Contribution of Fixed Assets		-
Depreciation		4,060
(Increase) decrease in operating assets:		
Contributions and Contracts Receivable		(80,466)
Prepaid Expenses		(8,462)
Increase (Decrease) in operating liabilities:		
Accounts Payable		10,403
Payroll Taxes Withheld and Payable		(8,391)
Other Accrued Liabilities		20,700
Reinvested Income -		(2)
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>(39,588)</u>

CASH FLOWS USED FOR INVESTING ACTIVITIES

Purchase of Property and Equipment		<u>(2,544)</u>
NET CASH FLOWS USED FOR INVESTING ACTIVITIES		<u>(2,544)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

NET CASH PROVIDED BY FINANCING ACTIVITIES		<u>-</u>
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NET INCREASE IN CASH

(42,132)

CASH - BEGINNING OF YEAR

187,055

CASH - END OF YEAR

\$ 144,923

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year		
Interest	\$	<u>0</u>
Income Taxes	\$	<u>0</u>

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MINDDRIVE, Incorporated
Notes to Financial Statements
For the Year Ended July 31, 2023

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, 2023, 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.
- Accelerate – juniors and seniors participate in a life-skills, career readiness and financial literacy class.

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.

MINDDRIVE, Incorporated
Notes to Financial Statements
For the Year Ended July 31, 2023

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 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. The Organization had no cash equivalents at July 31, 2023.

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, 2023, 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 \$4,060.

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, 2023.

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

MINDDRIVE, Incorporated
Notes to Financial Statements
For the Year Ended July 31, 2023

and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports 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, 2023.

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 \$23,720, are summarized as follows:

Statement of Activities

Rent expense	\$	18,000
Accounting services & other	\$	5,720

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

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reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review – Subsequent events have been evaluated through September 9, 2024 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, 2024:

Financial assets at period end:

Cash	\$ 144,923
Contributions and Contracts Receivable	<u>222,969</u>
Total financial assets	<u>\$ 367,892</u>
Financial assets available to meet general expenditures within one year	<u>\$ 367,892</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 \$173,000 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, 2023 of \$84 was maintained in a money market investment with an \$84 fair value.

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Notes to Financial Statements
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5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at July 31, 2023:

Computer equipment	\$ 20,891
Other equipment	14,620
Trailer and accessories	7,558
Automobile	2,054
Furniture	<u>16,824</u>
	<u>61,947</u>
Less: Accumulated Depreciation	<u>(51,210)</u>
	<u>\$ 10,737</u>

Depreciation related to property and equipment totaled \$4,060 for the fiscal year ended July 31, 2023.

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, 2023 of which \$18,000 was donated in-kind by the landlord.

8. NET ASSETS

Net assets with donor restrictions are available for the following purposes as of July 31, 2023:

Program staff personnel expenses and program supplies and materials	\$ <u>246,666</u>
	\$ <u>246,666</u>

Net assets of \$517,462 were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors, or by the passage of time.

Program expenses	\$ <u>517,462</u>
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9. 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.

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