

MINDDRIVE, Incorporated

Financial Statements

and

Independent Auditor's Report

For the Year Ended July 31, 2024

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, 2024, 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.

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, 2024, 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.

A handwritten signature in cursive script that reads "Higdon & Hale".

Higdon and Hale CPAs PC
Overland Park, KS
January 10, 2025

MINDDRIVE, Incorporated
STATEMENT OF FINANCIAL POSITION
AS OF JULY 31, 2024

ASSETS

CURRENT ASSETS

Cash	\$	19,854
Contributions and Contracts Receivable		69,000
Inventory of Automobiles		5,210
Prepaid Expenses		13,797
Right of Use Asset		32,806
Investments at Market		80
Total Current Assets		140,747

PROPERTY AND EQUIPMENT, net of Accumulated Depreciation

		7,230
Right of Use Asset - Long Term		107,205
Total Property and Equipment		114,435

Total Assets	\$	255,182
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	12,845
Payroll Taxes Withheld and Payable		5,696
Accrued Payroll		5,589
Other Accrued Liabilities		25,000
Loan NBKC Bank		31,702
Loans From OBI		123,625
Right of Use Liability		31,660
Total Current Liabilities		236,117

Long Term Liabilities

Right of Use		110,577
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Total Liabilities		346,694
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NET ASSETS

Net Assets Without Donor Restrictions		(91,512)
Net Assets With Donor Restrictions		-
Total Net Assets		(91,512)

Total Liabilities and Net Assets	\$	255,182
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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, 2024

	Without donor restrictions	With donor restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Contributions and Grants			
Foundations	\$ 85,563	102,500	\$ 188,063
Individuals	79,287	4,000	83,287
Corporations	80,210	20,000	100,210
United Way	1,736	-	1,736
Government	24,819	87,120	111,939
In-kind Contributions	1,557	-	1,557
Revenue:			
Program Service Revenue	107,800	-	107,800
Event Sponsorship	25,300	-	25,300
Interest and Other Income	2,654	-	2,654
Net Assets Released from Restrictions	460,086	(460,086)	-
TOTAL PUBLIC SUPPORT AND REVENUE	869,012	(246,466)	622,546
EXPENSES			
Program Services:			
STEM Programs	823,484	-	823,484
TOTAL PROGRAM SERVICES	823,484	-	823,484
Supporting Services:			
Administration	146,430	-	146,430
Fundraising	90,084	-	90,084
TOTAL EXPENSES	1,059,998	-	1,059,998
CHANGE IN NET ASSETS	(190,986)	(246,466)	(437,452)
NET ASSETS, BEGINNING OF YEAR	99,474	246,466	345,940
NET ASSETS, END OF YEAR	\$ (91,512)	\$ -	\$ (91,512)

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

MINDDRIVE, Incorporated
STATEMENT OF FUNCTIONAL EXPENSES
AS OF JULY 31, 2024

	STEM Programs	Administration	Fundraising	Total	
Salaries	\$ 485,927	\$ 86,933	\$ 52,144	\$ 625,004	
Payroll Taxes and Employee Benefits	64,436	15,878	8,914	89,228	
Contract Services	3,640	127	200	3,967	
Occupancy Expenses	64,210	4,263	2,188	70,661	\$
Office Expenses	3,552	1,189	298	5,039	
Information Technology	7,100	1,498	1,434	10,032	
Direct Program Supplies and Expenses	144,243	2,328	4,492	151,063	
Travel and Transportation	19,606	1,179	1,893	22,678	
Professional Fees	8,250	23,907	13,300	45,457	
Insurance	17,945	2,486	1,112	21,543	
Advertising	63	45	-	108	
Other Operating Expenses	1,869	6,009	3,756	11,634	
Depreciation expense	2,643	588	353	3,584	
Total Expenses By Function	\$ 823,484	\$ 146,430	\$ 90,084	\$ 1,059,998	
Less: Expenses included with revenues on the statement of activities:					
Direct benefit to donors	-	-	(1,667)	(1,667)	
Total expenses included in the expens	823,484	146,430	88,417	1,058,331	

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, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (437,452)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
In-Kind Contribution of Fixed Assets	-
Depreciation	3,507
(Increase) decrease in operating assets:	
Contributions and Contracts Receivable	153,969
Prepaid Expenses	(5,335)
Increase in Right of Use Asset	(140,011)
Increase (Decrease) in operating liabilities:	
Accounts Payable	(5,535)
Payroll Taxes Withheld and Payable	3,920
Other Accrued Liabilities	4,300
Reinvested Income -	4
NET CASH PROVIDED BY OPERATING ACTIVITIES	(422,633)

CASH FLOWS USED FOR INVESTING ACTIVITIES

Purchase of Property and Equipment	0
NET CASH FLOWS USED FOR INVESTING ACTIVITIES	0

CASH FLOWS FROM FINANCING ACTIVITIES

Loan NBKC	31,702
Increase in Right of Use Liability	142,337
Loan OBI	123,625
NET CASH PROVIDED BY FINANCING ACTIVITIES	297,664

NET INCREASE IN CASH	(124,969)
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CASH - BEGINNING OF YEAR	144,923
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CASH - END OF YEAR	\$ 19,954
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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, 2024

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, 2024, the Organization served over 226 students from the urban core of Kansas City.

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

Real World Learning Programs - Included in the Base Curriculum:

School-Sponsored (SS):

- **Engineering Design Studio:** Students from partner schools participate in hands-on engineering projects for credit, including designing and building electric vehicles, such as Electrathon race cars and classic car EV conversions. All students earn multiple Market Value Assets (MVA) including: The OSHA 10 certification and at least one Client Connected Project (CCP).

After-School (AS):

- **School Sponsored Drone FPV Racing:** Sponsored by and hosted at partner schools: students learn to build and race first-person-view drones, practicing piloting skills and preparing for local and regional competitions.
- **OB After-School Program:** Following the Electric Vehicle Design Studio (EVDS) curriculum, students work on projects like EV conversions and Electrathon race cars while incorporating Client Connected Projects (CCPs).

Twilight Programming (TP):

- **Electric Vehicle Design Studio (EVDS):** Students collaborate on teams to work on advanced engineering projects, including building Electrathon race cars, converting classic vehicles to electric power, and preparing for regional competitions.
- **Drone FPV Racing Teams (Middle and High School):** Students learn, develop, and refine FPV piloting skills, competing in mini-races and preparing for regional events and learn drone building, maintenance, and coding.
- **Welding Art Studio:** Students learn welding and fabrication techniques, creating artistic and functional projects like sculptures.
- **Esports (Middle and High School):** Middle school students focus on Rocket League, while high school students compete in Valorant, developing leadership skills, and learning team development strategies while preparing for competitions.

MINDDRIVE, Incorporated
Notes to Financial Statements
For the Year Ended July 31, 2024

- **Student Leadership Development:** Students are identified and elected to a position within the Student Leadership Council (Black Jackets) and learn leadership development by organizing events, mentoring peers, and supporting MINDDRIVE programming and developing adaptive problem solving and collaboration skills.

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 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, 2024.

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, 2024, 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

MINDDRIVE, Incorporated
Notes to Financial Statements
For the Year Ended July 31, 2024

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 \$3,507.

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, 2024.

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 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, 22 unpaid volunteer mentors have provided over 840 hours in support of the Organization's programs and fundraising activities in the fiscal year ended July 31, 2024.

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 \$1,557, are summarized as follows:

Statement of Activities

Accounting services & other	\$ 1,557
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Functional Expenses – The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require

MINDDRIVE, Incorporated
Notes to Financial Statements
For the Year Ended July 31, 2024

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, 2020.

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.

Date of Management's Review – Subsequent events have been evaluated through January 10, 2025 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	\$ 19,854
Contributions and Contracts Receivable	<u>69,000</u>
Total financial assets	\$ <u>88,854</u>
Financial assets available to meet general expenditures within one year	\$ <u>88,854</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 short term liquidity issues have been resolved with the strategic partnership with Operation Breakthrough.

MINDDRIVE, Incorporated
Notes to Financial Statements
For the Year Ended July 31, 2024

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, 2024 of \$80 was maintained in a money market investment with an \$80 fair value.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at July 31, 2024:

Computer equipment	\$ 20,891
Other equipment	14,620
Trailer and accessories	7,558
Automobile	2,054
Furniture	<u>16,824</u>
	61,947
Less: Accumulated Depreciation	<u>(54,717)</u>
	<u>\$ 7,230</u>

Depreciation related to property and equipment totaled \$3,507 for the fiscal year ended July 31, 2024.

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, 2024.

7. NET ASSETS

There were no net assets with donor restrictions as of July 31, 2024.

Net assets of \$460,086 were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors, or by the passage of time.

Program Supplies & Materials	\$ 102,994
Personnel Expenses	250,912
Operating Expenses	2,598
Contract Services Transportation	1,460
General Operating/Passage of Time	15,000
Governmental Grants Expense	<u>87,122</u>
	<u>\$ 460,086</u>

MINDDRIVE, Incorporated
Notes to Financial Statements
For the Year Ended July 31, 2024

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. AGREEMENT WITH OPERATION BREAKTHROUGH

As of August 1, 2024, the Board of Directors of MindDrive (MD), Inc adopted and restated the bylaws and articles of incorporation that:

- a. Named Operation Breakthrough (OB) as the sole member.
 - b. Gave Operation Breakthrough the control of assigning board of director members.
 - c. Changed MindDrive's Fiscal Year End to October 31 as of October 31, 2024.
- With this unanimous vote, MD now is 'controlled' by Operation Breakthrough only in the sense of governance
 - MD maintains its mission, leadership structure and operating model.
 - MD still is stand-alone in terms of revenue generation, development, and operations
 - MD and OB do collaborate together related to OB's Ignition Lab operations, for which OB is paying MD for their services (as in the past)
 - OB is currently providing a non-interest-bearing bridge loan through the transition, for which grantor funding is being finalized.
 - OB is providing administrative and development support, for which MD will reimburse (at cost) according to the 'to the agreed upon operating agreement
 - This transaction results in a strategic partnership between like-minded/like-missioned not-for-profit organizations, while utilizing the administrative support of OB