

MindLeaps

Financial Statements

August 31, 2020

(With Summarized Comparative Totals for 2019)



NISIVOCCIA
ASSURANCE · TAX · ADVISORY

MindLeaps
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August 31, 2020 and 2019

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Independent Auditor's Report

To the Board of Trustees of
MindLeaps
New York, NY

Report on the Financial Statements

We have audited the accompanying financial statements of MindLeaps (the "Organization"), which comprise the statement of financial position as of August 31, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Organization as of August 31, 2020, 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.

To the Board of Trustee of
MindLeaps

Report on Summarized Comparative Information

We have previously audited the Organization's August 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2021 on our consideration of MindLeaps' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MindLeaps' internal control over financial reporting and compliance.

Nisivoccia LLP

Mt. Arlington, New Jersey
February 17, 2021

MindLeaps
Statement of Financial Position
August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 122,711	\$ 3,735
Contribution receivable		12,398
Prepaid expenses	16,100	119
Other assets	<u>23,641</u>	<u>34,391</u>
Total current assets	162,452	50,643
Property and equipment, net	<u>3,266</u>	<u>7,575</u>
Total assets	<u>\$ 165,718</u>	<u>\$ 58,218</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 13,600	\$ 33,429
Refundable advance	18,800	
Deferred revenue	<u>75,857</u>	
Total current liabilities	108,257	33,429
Note payable		<u>22,500</u>
Total liabilities	<u>108,257</u>	<u>55,929</u>
Net assets (deficit):		
Without donor restrictions	\$ (11,306)	(14,191)
With donor restrictions	<u>68,767</u>	<u>16,480</u>
Total net assets (deficit)	<u>57,461</u>	<u>2,289</u>
Total liabilities and net assets	<u>\$ 165,718</u>	<u>\$ 58,218</u>

See Accompanying Notes to Financial Statements

MindLeaps
Statement of Activities
Year Ended August 31, 2020
(With Summarized Comparative Totals for the Year Ended August 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Revenue and support:				
Contributions	\$ 472,837	\$ 68,583	\$ 541,420	\$ 525,682
Government grants	117,243		117,243	
Program income	14,521		14,521	7,869
In-kind donations	14,560		14,560	34,106
Net assets released from restrictions due to satisfaction of restrictions	16,296	(16,296)		
Total revenue and support	<u>635,457</u>	<u>52,287</u>	<u>687,744</u>	<u>567,543</u>
Expenses:				
Program services	505,538		505,538	514,865
Supporting services:				
Management, general and administrative	85,989		85,989	88,218
Fundraising	41,617		41,617	32,094
Total supporting services	<u>127,606</u>		<u>127,606</u>	<u>120,312</u>
Total expenses	<u>633,144</u>		<u>633,144</u>	<u>635,177</u>
Change in net assets from operations	<u>2,313</u>	<u>52,287</u>	<u>54,600</u>	<u>(67,634)</u>
Other income (expense):				
Investment Income (loss)	166		166	(114)
Gain on sale of property and equipment	406		406	
Total other income (expense)	<u>572</u>		<u>572</u>	<u>(114)</u>
Change in net assets	2,885	52,287	55,172	(67,634)
Net assets (deficit), beginning of year	<u>(14,191)</u>	<u>16,480</u>	<u>2,289</u>	<u>69,923</u>
Net assets (deficit), end of year	<u>\$ (11,306)</u>	<u>\$ 68,767</u>	<u>\$ 57,461</u>	<u>\$ 2,289</u>

See Accompanying Notes to Financial Statements

MindLeaps

Statement of Functional Expenses

For the Year Ended August 31, 2020

(With Summarized Comparative Totals for the Year Ended August 31, 2019)

	Program Services	Supporting Services		Total Supporting Services	Total	
		Management, General and Administrative	Fundraising		2020	2019
US salaries	\$ 37,958	\$ 49,444	\$ 17,083	\$ 66,527	\$ 104,485	\$ 85,002
US payroll taxes	6,332	3,971	2,850	6,821	13,153	6,449
Total personnel services	<u>44,290</u>	<u>53,415</u>	<u>19,933</u>	<u>73,348</u>	<u>117,638</u>	<u>91,451</u>
Field office salaries	176,405				176,405	53,775
Payroll taxes for local field office personnel	33,260				33,260	35,326
UNHCR program technical support & accommodations	16,135				16,135	24,648
Marketing and advertising	2,004		2,225	2,225	4,229	21,648
Professional fees	7,925	14,100	15,538	29,638	37,563	44,106
Insurance & bank fees	3,810	1,814		1,814	5,624	5,008
US staff travel	10,974		324	324	11,298	19,348
Local field office staff travel	19,761				19,761	22,071
International artist travel						5,593
Donor-paid travel						1,813
School fees & academic programs	49,517				49,517	52,488
Meal & health programs	14,457				14,457	19,261
Family support program	3,495				3,495	4,033
COVID-19 emergency aid distribution	19,423				19,423	
Virtual Academy	5,758				5,758	
US training program	17,550				17,550	5,414
Research & curriculum development	4,550				4,550	8,484
Donated IT & supplies	9,737				9,737	28,432
Dance clothing & equipment	16,099				16,099	15,648
Office & field supplies	24,118	1,314	15	1,329	25,447	8,673
Technology/computer equipment	5,180	1,884	3,582	5,466	10,646	9,298
US & local lease expense	13,051	13,462		13,462	26,513	29,243
Repairs and maintenance	3,086				3,086	1,660
Total expenses before depreciation and amortization	<u>500,585</u>	<u>85,989</u>	<u>41,617</u>	<u>127,606</u>	<u>628,191</u>	<u>507,421</u>
Depreciation and amortization	<u>4,953</u>				<u>4,953</u>	<u>14,689</u>
Total expenses	<u>\$ 505,538</u>	<u>\$ 85,989</u>	<u>\$ 41,617</u>	<u>\$ 127,606</u>	<u>\$ 633,144</u>	<u>\$ 522,110</u>

See Accompanying Notes to Financial Statements

MindLeaps
Statement of Cash Flows
For the Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 55,172	\$ (67,634)
Adjustments to reconcile change in net assets to net cash provided by (used in) operations:		
Depreciation & amortization	4,953	14,689
Gain on sale of property and equipment	(406)	
Donated investment securities	(15,927)	(14,792)
Donated supplies		(23,094)
Realized (gain) loss on investments	(166)	114
Changes in operating assets and liabilities:		
Contribution receivable	12,398	(12,397)
Prepaid expenses	(15,981)	120
Other assets	10,750	18,235
Accounts payable and accrued expenses	(19,829)	14,329
Refundable advance	18,800	
Deferred revenue	75,857	
Net cash provided by (used in) operating activities	<u>125,621</u>	<u>(70,430)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(3,675)	
Proceeds from sale of property and equipment	3,435	
Sale of investment securities, net	<u>16,095</u>	<u>14,678</u>
Net cash provided by investing activities	<u>15,855</u>	<u>14,678</u>
Cash flows from financing activities:		
Principal proceeds from note payable		25,000
Principal repayments of note payable	<u>(22,500)</u>	<u>(2,500)</u>
Net cash provided by (used in) financing activities	<u>(22,500)</u>	<u>22,500</u>
Net increase (decrease) in cash and cash equivalents	118,976	(33,252)
Cash and cash equivalents, beginning of year	<u>3,735</u>	<u>36,987</u>
Cash and cash equivalents, end of year	<u>\$ 122,711</u>	<u>\$ 3,735</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the year for:		
Interest	<u>\$ 64</u>	<u>\$ 322</u>
<u>Supplemental disclosure of noncash activities:</u>		
Donated investment securities	<u>\$ 15,927</u>	<u>\$ 14,791</u>
Donated supplies	<u></u>	<u>\$ 23,094</u>

See Accompanying Notes to Financial Statements

1. Nature of Activities

MindLeaps (formerly known as the Rebecca Davis Dance Company) (the “Organization”) is a 501(c)(3) not-for-profit organization working to improve school performance and create positive livelihoods for at-risk youth. MindLeaps runs a unique program, based on a standardized dance methodology, that helps vulnerable youth undergo behavioral transformation, catch up on basic cognitive development and learn work-ready skills. MindLeaps operates permanent centers in Kigali, Rwanda and Conakry, Guinea, providing dance classes, academic acceleration and IT courses, daily meals, and a health program. After one year at our centers, students are sponsored in formal education at schools in their home countries. Through our partnership programs located in North Macedonia, Mauritania, Kenya and Uganda, MindLeaps provides dance classes, monitoring and evaluation of student progress, and training of local staff in MindLeaps’ dance curricula and pedagogy. MindLeaps also works alongside the United Nations High Commissioner for Refugees (UNHCR) in Rwanda and Uganda with operations in 8 refugee camps and settlements. These programs are run by local staff and refugee youth trained in the MindLeaps methodology. During the year ended August 31, 2020, MindLeaps launched its newest program, the Virtual Academy, to continue education for youth during and after the Covid-19 pandemic. Annually, MindLeaps serves between 2,500 – 3,000 youth across its programs.

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Significant accounting policies are described below:

Basis of Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Update No. 2014-16, dated August 2016, *Not-for-profit Entities* (Topic 958), *Presentation of Financial Statements of Not-for-profit Entities* (FASB Update). The Organization also uses FASB’s *Accounting for Contributions Received and Made*. FASB ASC, *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. In addition, the standard requires the presentation of qualitative information on how the Organization manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit’s financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements. *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions are resources representing the portion of expendable funds available for support of the Organization's programs and general operations. These resources are not subject to donor-imposed stipulations. Net assets without donor restrictions are comprised of revenue and expenses related to the operations of Organization, which have no restrictions on the uses of the funds. Net assets without donor restrictions also include those expendable resources which may have been designated for special use by the Board of Trustees.

Net Assets with donor restrictions are 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 with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization had net assets with donor restrictions of \$115,386 and \$16,480 at August 31, 2020 and 2019, respectively.

Adoption of New Accounting Standards

In May 2014, the FASB issued guidance, Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization adopted ASC 606, as amended with a date of the initial application of September 1, 2019 as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

The Organization applied ASC 606 using the modified retrospective method, with no effect recorded to net assets with or without donor restrictions at September 1, 2019. Because the Organization's primary source of revenue is from government grants and contributions which do not fall under ASC 606, there is no impact on the opening net asset balance. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

As part of the adoption of ASC 606, the Organization elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because there are no contract modifications, there is not a significant impact as a result of electing these practical expedients.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Management has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

Revenue and Contribution Recognition

Revenue is measured based on consideration specified in a contract with a customer. This occurs with the transfer of control at a specific point in time. The Organization recognizes program service income at the time the service is performed.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Organization's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended August 31:

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied		
at a point in time	<u>\$ 14,521</u>	<u>\$ 7,869</u>
	<u>\$ 14,521</u>	<u>\$ 7,869</u>

Revenue from performance obligations at a point in time consists of program income.

Receivables and Allowances for Uncollectible Amounts

Contributions receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. There was no allowance for uncollectible accounts as of August 31, 2020 and 2019, as management deemed all receivables to be collectible as of the date of the financial statements.

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 amounts of assets and liabilities, revenues and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the Organization's estimates may change in the near term.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less when acquired.

Functional Allocation of Expenses

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on estimates made by management. Support costs are allocated to a program based on total program costs. Program expenses are those related to dance, skill building, and educational programs. Management, general and administrative expenses relate to administrative expenses associated with those programs. Fundraising relates to development activities carried on by the Organization. The allocation of employees' salaries and other costs are based on estimates of time and effort considered by management to be reasonable.

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The financial statements may report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is also exempt under Pennsylvania Nonprofit Corporation Law of 1972. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements.

The Organization follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions.

The Organization does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended August 31, 2020.

However, the Organization is subject to regular audit by tax authorities, including a review of its nonprofit status which management believes would be upheld upon examination. The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

As required by law, the Organization files informational returns with the Federal government and various states on an annual basis. These returns are subject to examination by these authorities within certain statutorily defined periods for Federal and various states.

Property and Equipment

Purchased property and equipment additions exceeding \$1,000 are capitalized and recorded at their original cost. Donations of property, plant and equipment are recorded as support at their estimated fair value on the date of the gift. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset 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 restricted support. 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 as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Major repairs, improvements and replacements are capitalized. Maintenance and minor repairs and replacements, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Proceeds from the sale of fixed assets, if without donor restrictions, are transferred to net assets without donor restrictions, or, if restricted, to deferred amounts restricted for fixed asset acquisition. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets.

In accordance with FASB ASC, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Organization periodically evaluates property for impairment, relying on a number of factors including operating results, and future business plans. Recoverability of property is evaluated by a comparison of the carrying amount of an asset or asset group to estimated future recoverability of the carrying amount of the asset or asset group. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the estimated fair value. There were no impairment losses charged to operations for the years ended August 31, 2020 and 2019.

Intangible Assets

In accordance with FASB ASC, *Intangibles - Goodwill and Other - Internal-Use Software*, internal and external costs incurred during the application development stage to develop computer software solely to meet the Organization's internal needs are capitalized. Costs incurred during the preliminary project stage and post-implementation/operation stage are expensed as incurred. Capitalized software costs are amortized on a straight-line basis over the estimated useful life of the software.

Donated Services

The Board of Trustees makes significant contributions of time relative to general management and operations of the Organization. These donated services are not reflected in the financial statements for the years ended August 31, 2020 and 2019 since they do not meet the criteria for recognition as contributed services in accordance with U.S. generally accepted accounting principles.

Fair Value of Financial Instruments

In accordance with FASB ASC, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The Fair Value Measurements Topic of the FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The measurement of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the Organization is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques:

- Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

- Cost approach - Amount that would be required to replace the Organization capacity of an asset (i.e., replacement cost);
- Income approach - Techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. For some assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, observable market transactions and market information might not be available.

When a price for an identical asset or liability is not observable, a reporting entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, a reporting entity's intention to hold an asset or settle or otherwise fulfill a liability is not relevant when measuring fair value.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at August 31, 2020 and 2019.

Cash and cash equivalents, contributions receivable, prepaid expenses, other assets, accounts payable and accrued expenses, and other liabilities: The carrying amount approximates fair value because of the short-term maturity of these instruments.

Refundable advance: The Paycheck Protection Program advance, a government grant which may be forgiven or converted to a loan at a future point in time and which imputed interest does not apply, is carried at cost. However, management believes the Organization will receive full forgiveness of the Paycheck Protection Program advance and, therefore, the Organization has determined it approximates fair value.

Investments

Investments are recorded at their fair market value in accordance with FASB ASC, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. In accordance with this account standard, securities purchased for investment are carried at market value; those received as gifts are recorded at market value at date of gift and all investments in debt securities are reported at their fair market values in the statement of financial position.

Unrealized gains and losses are included in the change in net assets. Investment income or loss (including interest and dividends) and gains/losses on sale of investments are included in the statement of activities unless the income or loss is restricted by the donor or law.

A decline in the market value of an investment security below its cost that is designated to be other than temporary is recognized through an impairment charge. That impairment charge would be included in the statement of activities and a new cost basis would be established. For the years ended August 31, 2020 and 2019, the Organization did not record any impairment charge in the statement of activities.

Investments Held by the Community Foundation of Texas

The Organization holds a non-donor advised designated fund with the Community Foundation of Texas (“CFT”). CFT has variance power over the funds, therefore the Organization does not recognize a potential interest in future distributions from CFT. Instead, the Organization accounts for amounts received from the CFT as contributions on the statement of activities.

During the years ended August 31, 2020 and 2019 donors contributed \$21,008 and \$30,576, respectively, to the Community Foundation of Texas in support of MindLeaps. The Organization received distributions from CFT of \$15,000 and \$30,436 during the years ended August 31, 2020 and 2019, respectively.

Advertising

The Organization expenses the cost of advertising at the time it is paid. Advertising expense amounted to \$4,229 and \$21,648 for the years ended August 31, 2020 and 2019, respectively.

Deferred Revenue

Deferred revenue consists of amounts received in advance of services being performed which will be recognized as income in future periods when the services are performed. At August 31, 2020, deferred revenue amounted to \$75,857. There was no deferred revenue at August 31, 2019.

New Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires all lessees to record a lease liability at lease inception, with a corresponding right of use asset, except for short-term leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance on the Organization’s financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. The FASB ASU requires nonprofits to present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets along with expanded disclosure requirements. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. Management is evaluating the impact this ASU will have on its financial statements.

3. Liquidity and Availability

The adoption of FASB Update No. 2016-14 requires the presentation of qualitative information on how the Organization manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements.

MindLeaps
Notes to Financial Statements
August 31, 2020 and 2019

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

Financial Assets:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 122,711	\$ 3,735
Contribution receivable		<u>12,398</u>
Total financial assets	<u>122,711</u>	<u>16,133</u>
Less amounts not available to be used within one year:		
Donor imposed restrictions:		
Funds subject to purpose restriction	<u>(115,386)</u>	<u>(16,480)</u>
Financial assets available to meet		
general expenditures within one year	<u>\$ 7,325</u>	<u>\$ (347)</u>

A significant portion of the Organization's annual expenditures will be funded by current year operating revenues including government grants, and contributions. The Organization has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Investments

Investments are stated at fair value, based on quoted market prices. It is the Organization's policy to liquidate donated securities immediately upon receipt. Investment activity for the years ended August 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 2	\$ 2
Donated securities	15,927	14,792
Sales	(16,095)	(14,678)
Realized gain (loss)	166	(114)
Fees		
Ending balance	<u>\$ -</u>	<u>\$ 2</u>

As of August 31, 2020 and 2019, the Organization held a cash balance of \$0 and \$2, respectively, within the account. The balance has been included with cash and cash equivalents on the statement of financial position.

MindLeaps
Notes to Financial Statements
August 31, 2020 and 2019

5. Property and Equipment

Property and equipment and their related estimated useful lives at August 31, 2020 and 2019 are comprised of the following:

	Estimated Useful Life (Years)	2020	2019
Leasehold improvements	7	\$ 7,035	\$ 7,035
Vehicles	5	3,676	7,000
Equipment	5	16,633	16,633
		<u>27,344</u>	<u>30,668</u>
Less: accumulated depreciation		<u>(24,078)</u>	<u>(23,093)</u>
		<u>\$ 3,266</u>	<u>\$ 7,575</u>

Depreciation expense for the years ended August 31, 2020 and 2019 totaled \$4,953 and \$4,356, respectively.

6. Intangibles

The Organization incurred costs to develop an application designed to track the impact of the Organization's field programs. Intangible assets and their related estimated useful lives at August 31, 2020 and 2019 are comprised of the following:

	Estimated Useful Life (Years)	2020	2019
Intangibles (tracker program)	3	\$ 31,000	\$ 31,000
Less: accumulated amortization		<u>(31,000)</u>	<u>(31,000)</u>
		<u>\$ -</u>	<u>\$ -</u>

Amortization expense amounted to \$0 and \$10,333 for the years ended August 31, 2020 and 2019 respectively.

7. Leases

The Organization leases a building in Rwanda that is used as a teaching space under a non-cancelable operating lease which expired on February 28, 2019. This lease is renewed on a month-to-month basis for the use of the facility unless either party terminates in writing. Rent expense incurred related to this operating lease was \$750 per month for the year ended August 31, 2020.

In 2016, the Organization entered into a lease agreement for office space in New York under a month to month agreement, which was renewed for a 12 month period for the 2021 year.

MindLeaps
Notes to Financial Statements
August 31, 2020 and 2019

Rent expense incurred related to the New York office space operating lease was \$1,336 per month for the year ended August 31, 2020.

In June 2017, the Organization entered into an 18-month lease agreement for a facility in Guinea. This lease shall automatically renew for an additional 12 months unless either party terminates in writing. Rent expense incurred related to this operating lease was \$420 per month for the year ended August 31, 2020. Total rent expense for all operating leases for the years ended August 31, 2020 and 2019 amounted to \$26,514 and \$29,243, respectively.

Future minimum rental payments due under the leases are as follows:

Year Ending August 31,

2021	\$ 16,195
2022	1,500
	<u>\$ 17,695</u>

8. Net Assets with Donor Restrictions

Net assets with donor restrictions at August 31, 2020 are restricted for the following purposes:

2020	Beginning Net Assets with Donor Restrictions	Additions	Net Assets Released from Restriction	Ending Net Assets with Donor Restrictions
Mauritania program	\$ 3,262		\$ (3,262)	
Masoro program	13,218		(13,034)	\$ 184
Masoro program		\$ 34,212		34,212
Rwamanja refugee camp		29,371		29,371
Rwanda center renovation		5,000		5,000
Refugee work Guinea		12,468		12,468
Mauritania grant		34,151		34,151
Total	<u>\$ 16,480</u>	<u>\$ 115,202</u>	<u>\$ (16,296)</u>	<u>\$ 115,386</u>

Net assets with donor restrictions at August 31, 2019 are restricted for the following purposes:

2019	Beginning Net Assets with Donor Restrictions	Additions	Net Assets Released from Restriction	Ending Net Assets with Donor Restrictions
Mauritania program		\$ 3,262		\$ 3,262
Masoro program		13,218		13,218
Guinea center improvements	\$ 3,063		\$ (3,063)	
Total	<u>\$ 3,063</u>	<u>\$ 16,480</u>	<u>\$ (3,063)</u>	<u>\$ 16,480</u>

9. In-Kind Contributions

The Organization receives various types of non-cash contributions such as internet services and dance wear designated to assist the purpose and mission of the Organization. The estimated fair value of the donated products and services received during the years ended August 31, 2020 and 2019 was \$14,560 and \$34,106, respectively.

10. Grant Programs

The Organization participates in federal assisted grant programs. These programs are subject to compliance audits by the grantors and their representatives. The Organization is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management of the Organization is not aware of any material items of noncompliance which would result in the disallowance of grant program expenditures.

11. Deferred Grant Revenue

The Organization receives funds from the US Department of State. During the year ended August 31, 2020, the Organization received funding advances on several awards. This resulted in unspent grant funds at year end. Management expects to spend the funds in the next fiscal year. As of August 31, 2020 the unspent portion of the grant funds amounted to \$75,857 and has been recorded as a deferred revenue on the statement of financial position. There was no deferred grant revenue at August 31, 2019.

12. Refundable Advance

On April 15, 2020, the Organization was approved and received funding in the amount of \$18,800 under the Paycheck Protection Program. Certain amounts will be forgiven if the Organization utilizes these funds in accordance with guidelines outlined under the program. See Note 15 for information on the forgiveness of the funding. At August 31, 2020, the refundable advance amounted to \$18,800.

13. Risks and Uncertainties

The COVID-19 coronavirus outbreak has caused business disruption through government mandated and voluntary closings and has contributed to significant declines and volatility in financial markets. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter may have an impact on its future operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

14. Note Payable

During the fiscal year ended August 31, 2019, the Organization entered into a note payable with a related party in the amount of \$25,000. The note was zero interest bearing and was repaid in full during the year ended August 31, 2020.

15. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after August 31, 2020, through the date of the independent auditor's report and the date the financial statements were available to be issued, February 17, 2021. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

On December 28, 2020 the Organization was awarded full forgiveness of the Paycheck Protection Program funding.

SUPPLEMENTARY INFORMATION

MindLeaps
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2020

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity ID#	Grantor's Number	Grant Period	Grant Awards	Cumulative Program Disbursements	Current Year		Provided to Subrecipients
							Program Disbursements	Cash Received	
<u>US Department of State</u>									
Passed through the Office of the Secretary for Public Diplomacy and Public Affairs									
Learn-Change-Leap	19.040	n/a	SMR60020GR0005	7/1/2020-4/30/2021	\$ 47,347	\$ 3,227	\$ 3,227	\$ 37,878	
Rhythm of Peace	19.040	n/a	SGV10019GR0001	7/1/2019-6/1/2020	11,671	11,671	1,846	1,846	
Building Communication One Step at a Time	19.040	n/a	SGV10019GR0016	9/30/2019-8/30/2020	12,950	9,094	9,094	10,360	
Dancing Together for Success	19.040	n/a	SRW60019GR0032	9/20/2019-12/31/2019	35,130	35,130	35,130	35,130	
					<u>107,098</u>	<u>59,122</u>	<u>49,297</u>	<u>85,214</u>	
Passed through the Office of the Coordinator of U.S. Assistance to Europe and Eurasia									
Peaceful Rhythms	19.900	n/a	SGV10020GR0006	8/1/2019-2/28/2021	100,000	67,946	67,946	95,418	
					<u>100,000</u>	<u>67,946</u>	<u>67,946</u>	<u>95,418</u>	
Passed through the Bureau of Population, Refugees, and Migration									
Overseas Refugee Assistance Programs for Africa									
Julia Taft	19.517	n/a	SGV10020GR0006	8/3/2020-7/30/2021	24,935	-	-	12,468	
					<u>24,935</u>	<u>-</u>	<u>-</u>	<u>12,468</u>	
Total Federal Awards					<u>\$ 232,033</u>	<u>\$ 127,068</u>	<u>\$ 117,243</u>	<u>\$ 193,100</u>	

See Independent Auditor's Report and Accompanying Notes to the Schedule of Expenditures of Federal Awards

MindLeaps
Notes to the Schedule of Expenditures of Federal Awards
August 31, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of MindLeaps. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included in the schedule of expenditures of federal awards. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and do not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Principles

The accompanying schedule of expenditures of federal awards are presented using the accrual basis of accounting which is described in Note 2 to the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Sub-recipients

No federal awards were provided to sub-recipients.

4. Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agencies. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying schedules of expenditures of federal awards, which are prepared on the accrual basis explained in Note 2.

Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
MindLeaps

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of MindLeaps (the "Organization"), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise The Organization's basic financial statements, and have issued our report thereon dated February 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Trustees of
MindLeaps

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nisiroccia LLP

February 17, 2021

Mt. Arlington, New Jersey

MindLeaps
Schedule of Findings and Responses
August 31, 2020

Summary of Auditors' Results:

- An unmodified report was issued on MindLeaps' financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of MindLeaps.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of MindLeaps.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Response for Federal Awards:

- The audit did not disclose any findings or responses for federal award programs.

MindLeaps
Summary Schedule of Prior Year Audit Findings
August 31, 2020

Summary of Prior Year Findings

There were no audit findings in the prior year.