

MindLeaps

Financial Statements

August 31, 2019

(With Comparative Totals for 2018)



NISIVOCCIA
ASSURANCE · TAX · ADVISORY

MindLeaps
Table of Contents
August 31, 2019

	<u>Page</u>
Independent Auditors' Report	1-2
<u>Financial Statements:</u>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-17

Independent Auditors' 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, 2019, 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.

To the Board of Trustees of
MindLeaps

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MindLeaps as of August 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited MindLeaps 2018 financial statements, and our report dated January 29, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nisiroccia LLP

Mt. Arlington, New Jersey
March 6, 2020

MindLeaps
Statement of Financial Position
August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Assets:		
Cash and cash equivalents	\$ 3,735	\$ 36,987
Contribution receivable	12,398	
Prepaid expenses	119	239
Other assets	<u>34,391</u>	<u>29,532</u>
Total current assets	50,643	66,758
Property and equipment, net	7,575	11,931
Intangible asset, net		<u>10,334</u>
Total assets	<u>\$ 58,218</u>	<u>\$ 89,023</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 33,429</u>	<u>\$ 19,100</u>
Total current liabilities	33,429	19,100
Note payable	<u>22,500</u>	
Total liabilities	<u>55,929</u>	<u>19,100</u>
Net assets (deficit):		
Without donor restrictions	(14,191)	66,860
With donor restrictions	<u>16,480</u>	<u>3,063</u>
Total net assets (deficit)	<u>2,289</u>	<u>69,923</u>
Total liabilities and net assets	<u>\$ 58,218</u>	<u>\$ 89,023</u>

See Accompanying Notes to Financial Statements

MindLeaps
Statement of Activities
For the Years Ended August 31, 2019 and 2018

	August 31, 2019			August 31, 2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and support:						
Contributions	\$ 509,202	\$ 16,480	\$ 525,682	\$ 444,342	\$ 3,063	\$ 447,405
Program income	7,869		7,869	7,471		7,471
In-kind donations	34,106		34,106	13,183		13,183
Investment income (loss)	(114)		(114)	(5)		(5)
Net assets released from restrictions due to satisfaction of restrictions	3,063	(3,063)		5,900	(5,900)	
Total revenue and support	<u>554,126</u>	<u>13,417</u>	<u>567,543</u>	<u>470,891</u>	<u>(2,837)</u>	<u>468,054</u>
Expenses:						
Program services	514,865		514,865	377,058		377,058
Supporting services:						
Management, general and administrative	88,218		88,218	72,511		72,511
Fundraising	32,094		32,094	19,256		19,256
Total supporting services	<u>120,312</u>		<u>120,312</u>	<u>91,767</u>		<u>91,767</u>
Total expenses	<u>635,177</u>		<u>635,177</u>	<u>468,825</u>		<u>468,825</u>
Change in net assets	(81,051)	13,417	(67,634)	2,066	(2,837)	(771)
Net assets, beginning of year	<u>66,860</u>	<u>3,063</u>	<u>69,923</u>	<u>64,794</u>	<u>5,900</u>	<u>70,694</u>
Net assets (deficit), end of year	<u>\$ (14,191)</u>	<u>\$ 16,480</u>	<u>\$ 2,289</u>	<u>\$ 66,860</u>	<u>\$ 3,063</u>	<u>\$ 69,923</u>

See Accompanying Notes to Financial Statements

MindLeaps
Statement of Functional Expenses
For the Year Ended August 31, 2019
(With Comparative Totals for the Year Ended August 31, 2018)

	Total Program Services	Supporting Services		Total Support Services	2019 Total	2018 Total
		Management, General and Administrative	Fundraising			
US salaries	\$ 38,126	\$ 35,002	\$ 11,874	\$ 46,876	\$ 85,002	\$ 49,267
US payroll taxes	2,917	2,624	908	3,532	6,449	3,770
Total personnel services	<u>41,043</u>	<u>37,626</u>	<u>12,782</u>	<u>50,408</u>	<u>91,451</u>	<u>53,037</u>
Local field office director salaries	53,775				53,775	22,300
Local field office staff & trainer salaries	113,067				113,067	116,667
Payroll taxes for local field office personnel	35,326				35,326	30,382
UNHCR program technical support & accomodations	24,648				24,648	
Marketing and advertising	15,941		5,707	5,707	21,648	11,635
Professional fees	6,978	29,226	7,902	37,128	44,106	18,240
Insurance & bank fees	2,654	2,354		2,354	5,008	2,638
US staff travel	17,505		1,843	1,843	19,348	59,647
Local field office staff travel	22,071				22,071	
International artist travel	5,593				5,593	
Donor-paid travel			1,813	1,813	1,813	3,569
School fees & academic programs	52,488				52,488	41,921
Meal & health programs	19,261				19,261	18,033
Family support program	4,033				4,033	1,160
US training program	5,414				5,414	7,485
Research & curriculum development	8,484				8,484	6,125
Partnership programs						3,466
Donated IT & supplies	28,432				28,432	13,183
Dance clothing & equipment	15,648				15,648	
Office supplies expense	7,122	1,451	100	1,551	8,673	9,070
Technology/computer equipment	5,498	1,853	1,947	3,800	9,298	5,912
US & local lease expense	13,535	15,708		15,708	29,243	28,824
Repairs and maintenance	1,660				1,660	842
Total expenses before depreciation	<u>500,176</u>	<u>88,218</u>	<u>32,094</u>	<u>120,312</u>	<u>620,488</u>	<u>454,136</u>
Depreciation and amortization	<u>14,689</u>				<u>14,689</u>	<u>14,689</u>
Total expenses	<u>\$ 514,865</u>	<u>\$ 88,218</u>	<u>\$ 32,094</u>	<u>\$ 120,312</u>	<u>\$ 635,177</u>	<u>\$ 468,825</u>

See Accompanying Notes to Financial Statements

MindLeaps
Statement of Cash Flows
For the Years Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (67,634)	\$ (771)
Adjustments to reconcile change in net assets to net cash provided by (used in) operations:		
Depreciation & amortization	14,689	14,689
Donated investment securities	(14,791)	(4,214)
Donated supplies	(23,094)	
Net realized (gain) loss on investments	114	5
Changes in operating assets and liabilities:		
Contribution receivable	(12,398)	
Prepaid expenses	120	1,452
Other assets	18,235	3,948
Accounts payable and accrued expenses	14,329	(6,528)
Net cash provided by (used) in operating activities	<u>(70,430)</u>	<u>8,581</u>
Cash flows from investing activities:		
Purchase of property and equipment		(7,000)
Sale of investment securities, net	14,678	4,209
Net cash provided by (used in) investing activities	<u>14,678</u>	<u>(2,791)</u>
Cash flows from financing activities:		
Principal proceeds from note payable	25,000	
Principal repayments of note payable	(2,500)	
Net cash used in financing activities	<u>22,500</u>	
Net increase (decrease) in cash and cash equivalents	(33,252)	5,790
Cash and cash equivalents, beginning of year	<u>36,987</u>	<u>31,197</u>
Cash and cash equivalents, end of year	<u>\$ 3,735</u>	<u>\$ 36,987</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid during the year for:		
Interest	<u>\$ 322</u>	<u>\$ 8</u>
<u>Supplemental disclosure of noncash activities:</u>		
Donated investment securities	<u>\$ 14,791</u>	<u>\$ 4,214</u>
Donated supplies	<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 formed for the purpose of providing programs to advance the lives of underserved children in post-conflict and developing countries. Each of the Organization’s programs combines dance classes that improve social-emotional learning with educational workshops. The Organization currently has field offices in Rwanda and Guinea and runs programs in Mauritania, Uganda and Kenya.

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 Codification (“ASC”), *Accounting for Contributions Received and Made*, and FASB ASC, *Presentation of Financial Statements of Not-for-Profit Entities*. 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. FASB ASC, *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.

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.

Revenue and Contribution Recognition

Contributions are recognized as revenue and receivables when they are received or unconditionally pledged. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. The Organization accounts for funds received in advance of their usage as deferred revenue in the statement of financial position.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions. However, if the donor restriction is satisfied during the accounting period in which the gift was received, the gifts are reported as contributions without donor restrictions in the statement of activities.

The Organization accounts for contract and grant revenue, which are exchange transactions, in the statement of activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual program are used as guidance. All amounts not expended in accordance with the grant or contract are recorded as a liability to the grantor as the Organization does not maintain any equity in the grant or contract.

Grants, Receivables and Allowances for Uncollectible Amounts

Grants and accounts 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 for the years ended August 31, 2019 and 2018, 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 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 relate to administrative expenses related to those programs. Fundraising relates to special events and development activities carried on by the Organization. The allocation of employees' salaries and other costs are based on methods 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, 2019. 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 unrestricted support 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, 2019 and 2018.

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, 2019 and 2018 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, 2019 and 2018.

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.

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 year ended August 31, 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 CTF as contributions on the statement of activities.

During the years ended August 31, 2019 and 2018 donors contributed \$30,576 and \$40,268, respectively, to the Community Foundation of Texas in support of MindLeaps. The Organization received distributions from CFT of \$30,436 and \$40,000 during the years ended August 31, 2019 and 2018, respectively.

Advertising

The Organization expenses the cost of advertising at the time it is paid. Advertising expense amounted to \$11,703 and \$11,635 for the years ended August 31, 2019 and 2018, respectively.

New Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is permitted as of annual reporting periods beginning after December 15, 2016. The updated standard will be effective for the Organization for its year ending August 31, 2020. The Organization is currently evaluating the impact of this standard.

In June 2018, the FASB issued ASU, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU will impact all organizations that receive or make contributions of cash or other assets. ASU 2018-08 includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance on the Organization’s financial statements.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after August 31, 2019 through the date of the independent auditors’ report and the date the financial statements were available to be issued on March 6, 2020. 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.

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.

MindLeaps
Notes to Financial Statements
August 31, 2019 and 2018

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 strives to maintain liquid financial assets sufficient to meet six months of normal operating expenses. Financial assets in excess of daily cash requirements are invested in money market funds or other short-term investments.

The following table reflects the Organization's financial assets as of August 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or donor restrictions. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

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

In addition to these available financial assets, a significant portion of the organization's annual expenditures will be funded by current year operating revenues including contributions and program income.

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 at August 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 2	\$ 3
Donated securities	14,793	4,214
Sales	(14,674)	(4,205)
Realized gains (loss)	(114)	(5)
Fees	<u>(5)</u>	<u>(5)</u>
Ending balance	<u>\$ 2</u>	<u>\$ 2</u>

MindLeaps
Notes to Financial Statements
August 31, 2019 and 2018

As of August 31, 2019 and 2018, the Organization held a cash balance of \$2 and \$2, respectively, within the account. The balance has been included with cash and cash equivalents on the statement of financial position.

5. Property and Equipment

Property and equipment and their related estimated useful lives at August 31, 2019 and 2018 are comprised of the following:

	Estimated Useful Life (Years)	2019	2018
Leasehold improvements	7	\$ 7,035	\$ 7,035
Vehicles	5	7,000	7,000
Equipment	5	<u>16,633</u>	<u>16,633</u>
		30,668	30,668
Less: accumulated depreciation		<u>(23,093)</u>	<u>(18,737)</u>
		<u>\$ 7,575</u>	<u>\$ 11,931</u>

Depreciation expense for the years ended August 31, 2019 and 2018 totaled \$4,356.

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, 2019 and 2018 are comprised of the following:

	Estimated Useful Life (Years)	2019	2018
Intangibles (tracker program)	3	\$ 31,000	\$ 31,000
Less: accumulated amortization		<u>(31,000)</u>	<u>(20,666)</u>
		<u>\$ 10,334</u>	<u>\$ 10,334</u>

Amortization expense amounted to \$10,334 for the years ended August 31, 2019 and 2018.

7. Leases

The Organization leases a building in Rwanda that is used as a teaching space under a non-cancelable operating lease 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, 2019.

MindLeaps
Notes to Financial Statements
August 31, 2019 and 2018

In 2016, the Organization entered into a lease agreement for office space in New York under a month to month agreement. Rent expense incurred related to the New York office space operating lease was \$1,318 per month for the year ended August 31, 2019.

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 \$333 per month for the year ended August 31, 2019. Total rent expense for all operating leases for the years ended August 31, 2019 and 2018 amounted to \$29,243 and \$28,824, respectively.

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

Year Ending August 31,

2020	\$ 1,336
	<u>\$ 1,336</u>

8. Net Assets with Donor Restrictions

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>

Net assets with donor restrictions at August 31, 2018 are restricted for the following purposes:

2018	Beginning Net Assets with Donor Restrictions	Additions	Net Assets Released from Restriction	Ending Net Assets with Donor Restrictions
Guinea center improvements		\$ 3,063		\$ 3,063
School fees	\$ 3,600		\$ (3,600)	
Rugerero program	1,027		(1,027)	
Rwanda fundraising	1,273		(1,273)	
Total	<u>\$ 5,900</u>	<u>\$ 3,063</u>	<u>\$ (5,900)</u>	<u>\$ 3,063</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, 2019 and 2018 was \$34,106 and \$13,183, respectively.

10. Related Party Transactions

During 2019, the Organization entered into a zero-interest bearing loan from a member of the Board of Trustees for use in the Organization's general operations in the amount of \$25,000 with no defined repayment terms. The unpaid principal of the loan shall be payable in full by December 31, 2021. As of August 31, 2019, the outstanding balance of the loan was \$22,500.