

MENTORKIDS USA
FINANCIAL STATEMENTS
YEAR ENDED JULY 31, 2020



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**MENTORKIDS USA
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YEAR ENDED JULY 31, 2020**

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CliftonLarsonAllen LLP
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ACCOUNTANTS' COMPILATION REPORT

Board of Directors
MentorKids USA
Scottsdale, Arizona

Management is responsible for the accompanying financial statements of MentorKids USA, which comprise the balance sheet as of July 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 in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
January 26, 2021

MENTORKIDS USA
BALANCE SHEET
JULY 31, 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)

ASSETS

CURRENT ASSETS

| | |
|---------------------------|-------------------|
| Cash and Cash Equivalents | \$ 657,152 |
| Pledges Receivable | 79,994 |
| Prepaid Expenses | 13,869 |
| Total Assets | <u>\$ 751,015</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

| | |
|--|----------------|
| Accounts Payable | \$ 40,741 |
| Accrued Expenses | 17,015 |
| Paycheck Protection Program Note Payable | <u>111,230</u> |
| Total Liabilities | 168,986 |

NET ASSETS

| | |
|----------------------------------|-------------------|
| Without Donor Restrictions | 515,637 |
| With Donor Restrictions | 66,392 |
| Total Net Assets | <u>582,029</u> |
| Total Liabilities and Net Assets | <u>\$ 751,015</u> |

See accompanying Notes to Financial Statements.

MENTORKIDS USA
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--------------------------------------|-------------------------------|----------------------------|------------|
| OPERATING SUPPORT AND REVENUE | | | |
| Contributions | \$ 782,208 | \$ 66,392 | \$ 848,600 |
| Interest Income | 3,086 | - | 3,086 |
| Other Income | 28,546 | - | 28,546 |
| Net Assets Released from Restriction | - | - | - |
| Total Operating Support and Revenue | 813,840 | 66,392 | 880,232 |
| OPERATING EXPENSES | | | |
| Program Services | 557,586 | - | 557,586 |
| Support Services: | | | |
| Management and General | 146,692 | - | 146,692 |
| Fundraising | 71,405 | - | 71,405 |
| Total Support Services | 218,097 | - | 218,097 |
| Total Operating Expense | 775,683 | - | 775,683 |
| CHANGE IN NET ASSETS | 38,157 | 66,392 | 104,549 |
| Net Assets - Beginning | 477,480 | - | 477,480 |
| NET ASSETS - END OF PERIOD | \$ 515,637 | \$ 66,392 | \$ 582,029 |

See accompanying Notes to Financial Statements.

MENTORKIDS USA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)

| | Support Services | | | | Total |
|--|---------------------|------------------------------|------------------|------------------------------|-------------------|
| | Program Services | Management and General | Fundraising | Total Support Services | |
| Salaries and Wages | \$ 406,845 | \$ 81,470 | \$ 26,000 | \$ 107,470 | \$ 514,315 |
| Payroll Tax | 41,664 | 6,950 | 1,989 | 8,939 | 50,603 |
| Benefits | 13,326 | 9,415 | 5,257 | 14,672 | 27,998 |
| Total Salaries, Wages, and Related Expenses | 461,835 | 97,835 | 33,246 | 131,081 | 592,916 |
| Professional and Outside Services | 316 | 26,061 | 632 | 26,693 | 27,009 |
| Bank Charges | 290 | 39 | 8,557 | 8,596 | 8,886 |
| Insurance | 8,393 | 7,377 | - | 7,377 | 15,770 |
| Fingerprinting and Background Checks | 2,184 | 1,360 | - | 1,360 | 3,544 |
| Gifts and Recognition | - | 419 | 140 | 559 | 559 |
| Program Events and Activities | 67,421 | 805 | 10,157 | 10,962 | 78,383 |
| Membership and Mileage | 2,048 | 3,787 | 1,187 | 4,974 | 7,022 |
| Miscellaneous | - | 1,004 | - | 1,004 | 1,004 |
| Rent | 3,102 | - | - | - | 3,102 |
| Printing and Postage | 668 | 559 | 3,673 | 4,232 | 4,900 |
| Promotional Materials | 883 | 10 | 3,634 | 3,644 | 4,527 |
| Staff Development | 3,240 | 1,424 | 179 | 1,603 | 4,843 |
| Supplies | 2,018 | 1,284 | - | 1,284 | 3,302 |
| Telecommunications | 3,074 | 4,728 | - | 4,728 | 7,802 |
| Special Assistance | 2,114 | - | - | - | 2,114 |
| Unfulfilled Pledges | - | - | 10,000 | 10,000 | 10,000 |
| Total Expenses | <u>\$ 557,586</u> | <u>\$ 146,692</u> | <u>\$ 71,405</u> | <u>\$ 218,097</u> | <u>\$ 775,683</u> |

See accompanying Notes to Financial Statements.

MENTORKIDS USA
STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2020
(SEE ACCOUNTANTS' COMPILATION REPORT)

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|------------|
| Change in Net Assets | \$ 104,549 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | |
| Unfulfilled Pledges | 10,000 |
| (Increase) Decrease in Assets: | |
| Pledges Receivable | (66,754) |
| Prepaid Expenses | (3,914) |
| Increase (Decrease) in Liabilities: | |
| Accounts Payable | 16,792 |
| Accrued Expenses | 4,321 |
| Net Cash Provided by Operating Activities | 64,994 |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|--------------------------------------|---------|
| Paycheck Protection Program Proceeds | 111,230 |
|--------------------------------------|---------|

NET INCREASE IN CASH AND CASH EQUIVALENTS

176,224

Cash and Cash Equivalents - Beginning of Period

480,928

CASH AND CASH EQUIVALENTS - END OF PERIOD

\$ 657,152

See accompanying Notes to Financial Statements.

MENTORKIDS USA
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

MentorKids USA (the Organization) was formed in December 1996 under the laws of the state of Arizona. MentorKids USA is a Christian based organization that equips and empowers youth to be transformative leaders in their lives, their families, and their communities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the 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.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. At times, the Organization's cash and cash equivalent balances may exceed federal deposit insurance limits.

MENTORKIDS USA
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. An allowance is provided for pledges receivable when a pattern of uncollectibility has occurred. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are stated at cost at date of acquisition, or fair market value at date of donation in the case of donated property. Property and equipment is depreciated over the lives of the assets using the straight-line method. Leasehold improvements are depreciated over the shorter of the lease term or their estimated useful life. Donated assets are carried at the approximate fair value of the date of donation.

As of July 31, 2020, all property and equipment is fully depreciated.

Intangible Assets

Intangible assets consist of the costs to develop a trademark and website for the Organization. The total costs of the projects are amortized on a straight-line basis.

As of July 31, 2020, all intangible assets are fully amortized.

In-Kind Contributions

Donated items are recorded at estimated fair value at date of receipt.

Volunteers have donated 15,543 hours of time to the Organization's programs. These volunteer hours have not been recorded in the financial statements as they do not qualify for recording under accounting standards guidelines.

Functional Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated on the best estimates of management.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

MENTORKIDS USA
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar Arizona statutes. The Organization is not deemed a private foundation and contributions to the Organization are considered tax deductible.

The Organization follows the income tax standard for uncertain tax positions. Under this standard, the Organization recognized no liability for uncertain tax positions.

Change in Accounting Principle

In June 2018, FASB issued ASU No. 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Organization's financial statements adoption of ASU 2018-08 beginning in fiscal year 2020. The adoption of ASU No. 2018-08 did not impact the Organization's reported revenue.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization monitors liquidity regularly through the bi-monthly financial package provided to the board. The Organization's goal is to achieve 6 months to 12 months of liquidity. Financial assets available to meet cash needs for general expenditures within one year are \$714,710.

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable consist of the following at July 31, 2020:

| | |
|--|-------------------------|
| Receivable in Less than One Year | \$ 57,558 |
| Receivable in One to Five Years | 22,436 |
| Total Pledges Receivable | <u>79,994</u> |
| Less: Allowance for Uncollectible Accounts | - |
| Net Pledges Receivable | <u><u>\$ 79,994</u></u> |

MENTORKIDS USA
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

NOTE 4 NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to the Passage of Time:

| | |
|--|------------------|
| Promises to Give that are Not Restricted by Donors, but Which are Unavailable for Expenditure Until Due | <u>\$ 66,392</u> |
|--|------------------|

NOTE 5 PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

During 2020, the COVID-19 pandemic caused significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, it received a loan in the amount of \$111,230 to fund payroll, rent, and utilities through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. If not forgiven, principal and unpaid interest are due in full upon maturity in April 2022 and \$48,911 is due by July 31, 2021.

NOTE 6 SIMPLE IRA PLAN

The Organization has established a savings incentive match plan for employees (SIMPLE). The Organization matches full-time employee's elective contributions to the IRA account up to 3% of the employee's compensation. The Organization's expense for the plan during the year ended July 31, 2020 was \$5,286.

NOTE 7 LEASE COMMITMENTS

The Organization leases office and program space on a month-to-month basis. Total rent expense was \$26,816 for the year ended July 31, 2020.

NOTE 8 CONCENTRATIONS

During the year ended July 31, 2020, the Organization received approximately 28% of its total revenue from two donors.

NOTE 9 COMMITMENTS AND CONTINGENCIES

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

