

# **The Ingenuity Project, Inc.**

Financial Statements

Years Ended June 30, 2022 and 2021



# **The Ingenuity Project, Inc.**

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Years Ended June 30, 2022 and 2021

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## **Independent Auditor's Report**

To the Board of Directors  
The Ingenuity Project, Inc.  
Baltimore, Maryland

### **Opinion**

We have audited the accompanying financial statements of The Ingenuity Project, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities and change in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ingenuity Project, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Ingenuity Project, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ingenuity Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ingenuity Project, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Ingenuity Project, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*K.J. Hoffman & Company, PC*

CERTIFIED PUBLIC ACCOUNTANT

February 2, 2023

**The Ingenuity Project, Inc.**

## Statements of Financial Position

June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 836,841	\$ 809,943
Accounts receivable	295,425	159,813
Contributions receivable	385,000	662,000
Prepaid expenses and deposits	805	12,280
Furniture and equipment, net	9,563	18,622
Total assets	<u>1,527,634</u>	<u>1,662,658</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	1,712	1,181
Accrued expenses	47,518	34,737
Note payable	-	214,260
Total liabilities	<u>49,230</u>	<u>250,178</u>
Net assets:		
Donor undesignated	1,073,404	685,352
Donor designated	<u>405,000</u>	<u>727,128</u>
Total net assets	<u>1,478,404</u>	<u>1,412,480</u>
Total liabilities and net assets	<u>\$ 1,527,634</u>	<u>\$ 1,662,658</u>

See the independent auditor's report and accompanying notes.

**The Ingenuity Project, Inc.**

Statements of Activities and Change in Net Assets  
Years Ended June 30, 2022 and 2021

	<b>2022</b>			<b>2021</b>		
	Donor Undesignated	Donor Designated	Total	Donor Undesignated	Donor Designated	Total
Revenues, gains and other support:						
Public support:						
Contributions	\$ 546,487	\$ 405,000	\$ 951,487	\$ 711,948	\$ 425,006	\$ 1,136,954
Contributed rent	9,160	-	9,160	9,160	-	9,160
	<u>555,647</u>	<u>405,000</u>	<u>960,647</u>	<u>721,108</u>	<u>425,006</u>	<u>1,146,114</u>
Special events	24,526	-	24,526	15,035	-	15,035
Grants from governmental agencies	715,655	-	715,655	588,306	-	588,306
Other revenue - Miscellaneous	350	-	350	338	-	338
Net assets released from donor designations	<u>727,128</u>	<u>(727,128)</u>	<u>-</u>	<u>747,878</u>	<u>(747,878)</u>	<u>-</u>
Total revenues, gains and other support	<u>2,023,306</u>	<u>(322,128)</u>	<u>1,701,178</u>	<u>2,072,665</u>	<u>(322,872)</u>	<u>1,749,793</u>
Expenses:						
Program services -						
Education program	1,449,006	-	1,449,006	1,137,270	-	1,137,270
Supporting services:						
Management and general	227,743	-	227,743	227,975	-	227,975
Fund raising	172,765	-	172,765	136,817	-	136,817
Total supporting services	<u>400,508</u>	<u>-</u>	<u>400,508</u>	<u>364,792</u>	<u>-</u>	<u>364,792</u>
Total expenses	<u>1,849,514</u>	<u>-</u>	<u>1,849,514</u>	<u>1,502,062</u>	<u>-</u>	<u>1,502,062</u>
Change in net assets before extinguishment of debt	173,792	(322,128)	(148,336)	570,603	(322,872)	247,731
Extinguishment of debt - Paycheck Protection Loan	214,260	-	214,260	205,500	-	205,500
Change in net assets	388,052	(322,128)	65,924	776,103	(322,872)	453,231
Net assets - beginning of year	<u>685,352</u>	<u>727,128</u>	<u>1,412,480</u>	<u>(90,751)</u>	<u>1,050,000</u>	<u>959,249</u>
Net assets - end of year	<u>\$ 1,073,404</u>	<u>\$ 405,000</u>	<u>\$ 1,478,404</u>	<u>\$ 685,352</u>	<u>\$ 727,128</u>	<u>\$ 1,412,480</u>

See the independent auditor's report and accompanying notes.

**The Ingenuity Project, Inc.**

## Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 65,924	\$ 453,231
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,059	12,859
Forgiveness of debt	(214,260)	(205,500)
(Increase) decrease in:		
Accounts receivable	(135,612)	(81,346)
Contributions receivable	277,000	(177,000)
Prepaid expenses and deposits	11,475	(7,500)
Increase (decrease) in:		
Accounts payable	531	(14,187)
Accrued expenses	12,781	9,233
Net cash provided by (used in) operating activities	<u>26,898</u>	<u>(10,210)</u>
Cash flows from financing activities -		
Note payable proceeds	<u>-</u>	<u>214,260</u>
Net cash provided by financing activities	<u>-</u>	<u>214,260</u>
Net increase in cash and cash equivalents	26,898	204,050
Cash and cash equivalents - beginning of year	<u>809,943</u>	<u>605,893</u>
Cash and cash equivalents - end of year	<u>\$ 836,841</u>	<u>\$ 809,943</u>

**The Ingenuity Project, Inc.**  
 Statements of Functional Expenses  
 Years Ended June 30, 2022 and 2021

	2022				2021			
	Supporting Services				Supporting Services			
	Program	Management	Fund	Total	Program	Management	Fund	Total
	Services	and General	Raising		Services	and General	Raising	
Payroll and payroll related	\$ 1,237,577	\$ 170,572	\$ 142,505	\$ 1,550,654	\$ 1,024,915	\$ 169,283	\$ 122,158	\$ 1,316,356
Professional fees	19,194	37,233	2,210	58,637	17,286	39,495	2,060	58,841
Grants to others	15,000	-	-	15,000	-	-	-	-
Supplies	96,447	4,760	1,669	102,876	56,930	7,623	3,715	68,268
Occupancy	5,809	5,809	2,904	14,522	5,745	5,745	2,872	14,362
Postage, printing and promotion	-	402	18,202	18,604	-	825	2,590	3,415
Dues and publications	5,445	1,522	196	7,163	2,319	268	60	2,647
Miscellaneous	40,702	5,704	4,246	50,652	20,063	3,082	2,169	25,314
Travel	21,602	745	-	22,347	-	-	-	-
Depreciation	7,230	996	833	9,059	10,012	1,654	1,193	12,859
	<u>\$ 1,449,006</u>	<u>\$ 227,743</u>	<u>\$ 172,765</u>	<u>\$ 1,849,514</u>	<u>\$ 1,137,270</u>	<u>\$ 227,975</u>	<u>\$ 136,817</u>	<u>\$ 1,502,062</u>



## **The Ingenuity Project, Inc.**

Notes to Financial Statements

June 30, 2022 and 2021

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### **NOTE 1 - NATURE OF ORGANIZATION**

The Ingenuity Project, Inc. (the "Organization") was formed to prepare highly motivated Baltimore City Public School students to achieve nationally competitive levels in math, science, technology, and related fields. The students enrolled in the Organization are in grades 6 through 12. The Organization also provides materials and training for the teachers using this curriculum. The Organization is funded by the Baltimore City Public Schools, foundations and individual contributions.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Promises to Give**

Unconditional promises to give that are expected to be collected within one year are recorded at 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. When material, the discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

#### **Accounts Receivable/Grants Receivable**

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are believed to be uncollectible by the time the financial statements are issued. Accounting principles generally accepted in the United States of America (GAAP) requires the allowance method for accounting for bad debts, but the differences between the two methods are immaterial.

#### **Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers cash equivalents to include time deposits, certificates of deposit, and all highly liquid debt instruments purchased with maturities of three (3) months or less.

#### **Cost Allocation**

The financial statements report certain categories of expenses that are attributable to program or supporting services. Management's estimate of the allocations of expenses to program service, management and general, and fund raising is based on appropriate allocation factors such as estimated time spent in those areas or square footage used.

## **The Ingenuity Project, Inc.**

Notes to Financial Statements

June 30, 2022 and 2021

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Property and Equipment**

The Organization capitalizes substantial expenditures for property and equipment having a useful life of three (3) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Assets donated with explicit designations regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor designations. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor designations when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor designations to net assets without donor designations at that time. Depreciation is computed over the estimated useful lives of five (5) to ten (10) years using the straight-line method. The Organization uses the direct expensing method to account for planned major maintenance activities.

#### **Donated Services and Tangible Personal Property**

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization occasionally receives contributions of tangible personal property. These contributions are used in providing services to students and staff. The contributions are recognized at the item's estimated fair value at the date of donation, using sales prices for items of similar condition and comparable current rates for services.

#### **Contributions and Revenue**

Contributions received are recorded as donor undesignated or donor designated support, depending on the existence and/or nature of any donor designation.

Support that is designated by the donor is reported as an increase in donor undesignated net assets if the designation expires in the reporting period in which the support is recognized. All other donor designated support is reported as an increase in donor designated net assets, depending on the nature of the designation. When a designation expires (that is, when a stipulated time designation ends or purpose designation is accomplished), donor designated net assets are reclassified to donor undesignated net assets and reported in the statement of activities and change in net assets as net assets released from designations. Governmental grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

## **The Ingenuity Project, Inc.**

### **Notes to Financial Statements**

**June 30, 2022 and 2021**

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#### **NOTE 3 - USE OF ESTIMATES IN FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **NOTE 4 - RETIREMENT PLAN**

The Organization maintains a 403(b) defined contribution retirement plan ("the Plan"). Employees may contribute to the Plan if they earned at least \$5,000 in one of the previous two years and were reasonably expected to earn \$5,000 in the current year. Employees are able to withhold the maximum limited by current income tax law. Retirement plan expense was approximately \$23,000 and \$19,500 for the years ended June 30, 2022 and 2021.

#### **NOTE 5 - INCOME TAXES**

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

The Internal Revenue Service has not examined (audited) any income tax returns of the Organization thus the previous three (3) years are subject to examination. The Organization has not taken any questionable tax positions with respect to unrelated business income tax or anything that would jeopardize its 501(c)(3) status.

#### **NOTE 6 - CREDIT RISK**

The Organization maintains a cash balance at one bank in excess of \$250,000, the amount insured by the Federal Deposit Insurance Corporation; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at June 30, 2022.

#### **NOTE 7 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of unconditional promises to give to be received within one year. The balance of contributions receivable was \$385,000 and \$662,000 for the years ended June 30, 2022 and 2021.

**The Ingenuity Project, Inc.**

Notes to Financial Statements

June 30, 2022 and 2021

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**NOTE 8 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30,:

	<u>2022</u>	<u>2021</u>
Equipment and software	\$ 172,584	\$ 172,584
Furniture	27,228	27,228
	<u>199,812</u>	<u>199,812</u>
Less accumulated depreciation	<u>190,249</u>	<u>181,190</u>
	<u><u>\$ 9,563</u></u>	<u><u>\$ 18,622</u></u>

**NOTE 9 - DONATED RENT**

Baltimore City Public Schools donates the office space occupied by the Organization. The estimated fair value of the donated rent is \$9,160 for the years ended June 30, 2022 and 2021, and is recorded in the statements activities and change in net assets as contributed rent and occupancy expense in the statement of functional expenses.

**NOTE 10 - NOTES PAYABLE**

During the years ended June 30, 2021 and 2020 the Organization was issued notes in the amount of \$214,260 and \$205,500 under the Coronavirus Aid, Relief, and Economic Security Act's (the "CARES Act") Paycheck Protection Program. During the years ended June 30, 2022 and 2021, the Organization's Paycheck Protection notes were forgiven in full and are included in extinguishment of debt on the statement of activities and change in net assets.

**NOTE 11 - DONOR DESIGNATED NET ASSETS**

Donor designated net assets consisted of the following at June 30,:

	<u>2022</u>	<u>2021</u>
Time	\$ 405,000	\$ 445,000
Student books	-	14,724
STEM projects	-	67,122
Programs at James McHenry Middle School	<u>-</u>	<u>200,282</u>
	<u><u>\$ 405,000</u></u>	<u><u>\$ 727,128</u></u>

## **The Ingenuity Project, Inc.**

Notes to Financial Statements

June 30, 2022 and 2021

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### **NOTE 12 - DONOR DESIGNATED NET ASSETS RELEASED FROM DESIGNATIONS**

Donor designated net assets released from designations consisted of the following for the year ended June 30,:

	<u>2022</u>	<u>2021</u>
Time	\$ 445,000	\$ 495,000
STEM projects	67,122	32,878
Programs at James McHenry Middle School	200,282	205,000
Student books	14,724	-
Teacher-Hamilton Middle	-	15,000
	<u>\$ 727,128</u>	<u>\$ 747,878</u>

### **NOTE 13 - CONCENTRATIONS**

The Organization received approximately 52% and 76% of its revenue from two (2) organizations for the years ended June 30, 2022 and 2021. Approximately 96% and 87% of contributions receivable and 100% and 99% of accounts receivable are due from one (1) organization respectively, for the years ended June 30, 2022 and 2021, respectively.

### **NOTE 14 - ACCOUNTING PRONOUNCEMENTS**

The FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. ASU 2020-07 clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings, and other items.

### **NOTE 15 - CONTINGENCY**

In March 2020, the World Health Organization declared the spread of the Coronavirus Disease (Covid-19) a worldwide pandemic. The Covid-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. The Covid-19 outbreak is still evolving and the financial impact remains unknown. There is uncertainty regarding Covid-19's impact on the world's economy and therefore on the Organization and its stakeholders.

**The Ingenuity Project, Inc.**

Notes to Financial Statements

June 30, 2022 and 2021

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**NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of June 30, 2021, reduced by amounts not available for general use because of contractual or donor-imposed designations within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Financial assets at year-end	\$ 1,517,266	\$ 1,631,756
Less those unavailable for general expenditures within one year, due to -		
Donor designations	<u>405,000</u>	<u>727,128</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,112,266</u>	<u>\$ 904,628</u>

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in a savings account.

**NOTE 17 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through the date the financial statements were available to be issued on February 2, 2023 and determined there are no material transactions to disclose.