MASTERMIND, INC.
Form 10-Q
February 19, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2018
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from

to
Commission File Number: 000-26533

MASTERMIND, INC.
(Exact name of registrant as specified in its charter)

Nevada	**82-3807447**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1450 W. Peachtree St. NW, Atlanta, Georgia	**30309**
(Address of principal executive offices)	(Zip Code)

(404) 420-4000
(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	Accelerated Filer
Non-accelerated Filer	Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of February 14, 2019, there were 33,870,520 shares of the registrant s Common Stock outstanding.

MASTERMIND, INC.

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Mastermind, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	December 31, 2018	September 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 772,961	$ 861,371
Accounts receivable	1,255,951	1,146,312
Advance to related party	-	6,589
Prepaid expenses and other current assets	35,251	23,611
Total current assets	2,064,163	2,037,883
Property and equipment, net	88,299	92,685
Total assets	$ 2,152,462	$ 2,130,568
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 14,088	$ 123,862
Unearned revenues	175,558	109,363
Deferred tax liabilities	127,402	109,724
Total current liabilities	317,048	342,949
Total liabilities	317,048	342,949
Stockholders Equity:		
Series B Preferred stock, $0.001 par value; 1,000,000 shares authorized; no shares issued and outstanding as of December 31, 2018 and September 30, 2018, respectively	-	-
Common stock, $0.001 par value, 125,000,000 shares authorized, 33,870,520 shares issued and outstanding as of December 31, 2018 and September 30, 2018	33,871	33,871
Retained earnings	1,801,543	1,753,748
Total stockholders equity	1,835,414	1,787,619
Total liabilities and stockholders equity	$ 2,152,462	$ 2,130,568

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Mastermind, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended December 31, 2018	2017
	$	$
Revenues	1,221,341	961,871
Cost of revenues	165,085	169,085
Gross profit	1,056,256	792,786
Operating Expenses:		
General and administrative	990,783	714,833
Total operating expenses	990,783	714,833
Income from operations	65,473	77,953
Other Income (Expense), Net:		
Interest (expense) to related party	-	(4,601)
Other income (expense), net	-	(4,601)
Net income before provision for income taxes	65,473	73,352
Provision for income taxes	17,678	-
	$	$
Net income	47,795	73,352
Net income per common share:		
	$	$
Basic	0.00	0.00
	$	$
Diluted	0.00	0.00
Weighted average common shares outstanding:		
Basic	33,870,520	29,236,759
Diluted	33,870,520	29,236,759

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Mastermind, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended December 31, 2018	2017
Cash flows from operating activities:		
Net income	$ 47,795	$ 73,352
Adjustments to reconcile net income to net cash flows provided by (used in) operating activities		
Depreciation	7,605	7,306
Changes in assets and liabilities:		
Accounts receivable	(109,639)	157,962
Prepaid expenses and other current assets	(11,640)	(500)
Accounts payable and accrued expenses	(109,774)	1,581
Unearned revenues	66,195	456,260
Deferred tax liabilities	17,678	-
Net cash flows provided by (used in) operating activities	(91,780)	695,961
Cash flows from investing activities:		
Purchase of equipment	(3,219)	(7,021)
Net cash flows used in investing activities	(3,219)	(7,021)
Cash flows from financing activities:		
Distributions	-	(100,000)
Repayment of related party note	-	(30,000)
Repayment of advance from related party	-	(13,486)
Proceeds from repayment of advance to related party	6,589	-
Net cash flows provided by (used in) financing activities	6,589	(143,486)
Net change in cash and cash equivalents	(88,410)	545,454
Cash and cash equivalents at beginning of period	861,371	545,904
Cash and cash equivalents at end of period	$ 772,961	$ 1,091,358
Supplemental disclosure of cash flow information:		
Income taxes paid	$ -	$ -
Interest paid	$	$

	$ 828	$ -
Interest paid to related party	-	4,601

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

MASTERMIND, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

1.

Business

Mastermind, Inc. (the Company , we , us , or the organization) is an involvement marketing service agency that desi creates and develops branding and marketing campaigns, primarily for large corporate clients with well-known brands. We specialize in customer conversion initiatives that we believe facilitate the involvement of more of the right customers with the brands of our clients. We focus on converting prospects to customers. Our programs can take on various forms, including creating and managing digital content, designing websites, social media and sharing campaigns, mobile merchandising, and communications and branding.

On February 14, 2018, we consummated a transactions pursuant to a Joint Venture Interest Contribution Agreement (the Contribution Agreement) made and entered into as of February 14, 2018 by and among (i) us, (ii) Mastermind Involvement Marketing, a Georgia joint venture (MIM), and (iii) Mastermind Marketing, Inc, a Georgia Corporation (MM Inc.), Digital Advize, LLC, a Georgia limited liability company (Advize), and Villanta Corporation, a Georgia Corporation (Villanta , together with Advize and MM Inc., the Sellers or Majority Stockholders).

Pursuant to the Contribution Agreement the Sellers contributed, transferred, assigned and conveyed to us all right, title and interest in and to one hundred percent (100%) of such joint venture interest in MIM (the Contributed Joint Venture Interest), together with any and all rights, privileges, benefits, obligations and liabilities appertaining thereto, reserving unto such Seller no rights or interests therein whatsoever, and (ii) we accepted the contribution of the Contributed Joint Venture Interest, and in consideration for such contribution the Sellers collectively were entitled to receive from us 29,236,759 of our common stock, $.001 par value (the Common Stock) representing 85% of our total outstanding Common Stock after the issuance of the Contribution Consideration (the Contribution Consideration) with each Seller receiving for its respective percentage of Contributed Joint Venture Interest that same percentage of the Contribution Consideration (such transaction, the Business Combination). As a result of the Business Combination, the Sellers became our controlling shareholders of and we became a wholly-owned subsidiary. The Business Combination was treated as a reverse acquisition for accounting purposes, whereby MIM is considered the acquirer for accounting purposes, and our historical financial statements before the Business Combination will be replaced with the historical financial statements of MIM and its consolidated entities before the Business Combination in all future filings.

On April 19, 2018, our Board of Directors took action by written consent to approve an amendment to our certificate of incorporation (the Amended Certificate) to change of our name from CoConnect, Inc. to Mastermind, Inc. (the Name Change), subject to stockholder approval. On April 27, 2018, in lieu of a meeting of our stockholders, and pursuant to Section 78.320 of the Nevada Revised Statutes of the State of Nevada, the Majority Stockholders, who represent 85% of our voting securities, approved the Amended Certificate, by written consent. On May 24, 2018, we filed the Certificate of Amendment with the Secretary of State of the State of Nevada to change our name to Mastermind, Inc.

2.

Interim Financial Statements and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information pursuant to Rule 8-03 of Regulation S-X. Accordingly, these unaudited condensed consolidated financial statements do not include all of the information and disclosures required by U.S. GAAP for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments (consisting only of normal recurring adjustments), which we consider necessary, for a fair presentation of those financial statements. The results of operations and cash flows for the three months ended December 31, 2018 may not necessarily be indicative of results that may be expected for any succeeding period or for the entire fiscal year. These condensed consolidated financial statements should be read in conjunction with our audited financial statements included in our Annual Report on Form 10-K as of and for the fiscal years ended September 30, 2018 and 2017 as filed with the Securities and Exchange Commission.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and judgments, which are evaluated on an ongoing basis, and that affect the amounts reported in our unaudited

MASTERMIND, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

condensed financial statements and accompanying notes. Management bases its estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the amounts of revenues and expenses that are not readily apparent from other sources. Actual results could differ from those estimates and judgments. In particular, significant estimates and judgments include those related to revenue recognition, allowance for doubtful accounts, useful lives and valuation of property and equipment.

We adopted the Accounting Standard Codification (ASC) 606, Revenue from Contracts with Customers as of January 1, 2018, using the modified retrospective method, and concluded that, consistent with prior reporting, our revenues are primarily generated from our involvement marketing services and contracts which are typically billed based on time and materials or at a fixed price. If billed at a fixed price, revenue is recognized on a proportional performance basis as the services specified in the arrangement are performed. The determination of proportional performance revenue recognition is dependent on the nature of the services specified in the arrangement. Advanced payments on services and contracts are deferred and recorded as unearned revenues on our balance sheet until the earnings process has been completed and revenue is then recognized. In all cases, we evaluate involvement marketing contracts to determine that the time and amount of services reflects the consideration expected to be received for the performance obligations that have been provided in accordance with the five-step process to recognize revenues as defined in ASC606. ASC 606 defines contracts as written, oral and through customary business practice. Under this definition, we consider contracts to be created at the time that an order to provide services is agreed upon regardless of whether or not there is a written contract. Results for reporting periods after January 1, 2018 are presented under ASC 606.

3.

Related Party Transactions

On January 3, 2012, we entered into a perpetual license agreement (the Perpetual License) with Mastermind Marketing, Inc. (the Licensor), which provides for licenses of trademarks, internet domains, and certain intellectual property as defined in the Perpetual License. The Licensor is one of our members and its chief executive officer is also our chief executive officer. The Perpetual License, which may be terminated at any time by either party, is effective January 3, 2012 and provides for aggregate payments of $2,170,000 over the calendar years from 2019 through 2039 with no further payments required after December 31, 2039. During the three months ended December 31, 2018 and 2017, and as of December 31, 2018 and September 30, 2018, there were no license fee payments required or payable.

On January 3, 2014, we entered into a commercial lease agreement (the Lease) with 1450 West Peachtree, LLC, a Georgia limited liability company (the Landlord), for the lease of our corporate facility in Atlanta, Georgia. In connection with the Lease, we have entered into a sublease agreement which provides for the sublease of 9,000 square feet of the total 15,000 of the demised property. The sublessor is not a related party. The manager of the Landlord is also our chief executive officer. The term of the lease is 10 years from the date of the agreement and provides for monthly rent and payment of operating expenses on a triple-net basis. During the three months ended December 31, 2018 and 2017, we made lease payments of $30,000 and $30,000, respectively, to the Landlord in satisfaction of our obligation pursuant to the Lease, net of payments made by the sublessee.

During the fiscal year ended September 30, 2016, the sublessee to the Lease remitted $13,550 to us for the benefit of the Landlord. In December 2017, we remitted this payment to the Landlord. As of December 31, 2017 this obligation had been satisfied in full.

On December 12, 2016, we executed a promissory note (the Note), in the principal amount of $500,000, with Mastermind Marketing, Inc. The principal of the Note, including all accrued interest, is due and payable on December 12, 2018. During the term of the Note, interest is payable monthly at a rate equal to the greater of 3.75% per annum or the prime rate published in the Wall Street Journal on the last day of the month plus one-half percent (1/2%), however the interest rate will not exceed 5.5% per annum. As of September 31, 2018 the obligation to pay all principal and accrued interest was satisfied and there were no further borrowings during the three months ended or balances due as of December 31, 2018. During the three months ended December 31, 2017, we recorded interest expense of $4,601.

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During the three months ended December 31, 2018 and 2017, we made payments to our Majority Stockholders pursuant to the terms of an operating agreement, as amended, for services rendered to us in the aggregate amount of $373,120 and $112,810, respectively. As of December 31, 2018 and September 30, 2018, we had no obligations payable to our three majority stockholders for consulting services.

4.

Property and Equipment

Property and equipment consist of the following:

	December 31, 2018	September 30, 2018
	$	$
Furniture, fixtures and office equipment	134,706	131,487
Leasehold improvements	73,795	73,795
	208,501	205,282
Less: accumulated depreciation	(120,202)	(112,597)
	$ 88,299	$ 92,685

Depreciation expense for the three months ended December 31, 2018 and 2017 was $7,605 and $7,306, respectively.

5.

Income Taxes

Prior to February 14, 2018, the effective date of the Business Combination, no provision for income taxes was made since we were treated as a partnership for income tax purposes and the income or loss was passed through to our members.

We are required to file federal and state income tax returns in the United States. The preparation of these tax returns requires us to interpret the applicable tax laws and regulations in effect in such jurisdictions, which could affect the amount of tax paid by us. In consultation with our tax advisors, we base our tax returns on interpretations that are believed to be reasonable under the circumstances. The tax returns, however, are subject to routine reviews by the various federal and state taxing authorities in the jurisdictions in which we file tax returns. As part of these reviews, a taxing authority may disagree with respect to the income tax positions taken by us (uncertain tax positions) and, therefore, may require us to pay additional taxes. As required under applicable accounting rules, we accrue an amount for our estimate of additional income tax liability, including interest and penalties, which we could incur as a result of the ultimate or effective resolution of the uncertain tax positions. We account for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carry-forwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the Tax Act) was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a federal corporate tax rate decrease from 35% to 21% for tax years beginning after December 31, 2017, the transition of U.S international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of foreign earnings. We have estimated our provision for income taxes in accordance with the Tax Act and guidance available as of the date of this filing but have kept the full valuation allowance.

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On December 22, 2017, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of US GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. The deferred tax expense recorded in connection with the remeasurement of deferred tax assets is a provisional amount and a reasonable estimate at December 31, 2017 based upon the best information currently available. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the Tax Act. Any subsequent adjustment to these amounts will be recorded to current tax expense in the quarter of 2018 when the analysis is complete. The accounting is expected to be complete when the 2017 U.S. corporate income tax return is filed in 2018.

6.

Stockholders Equity

Our current authorized capital stock consists of one hundred twenty-six million (126,000,000) shares of stock consisting of (i) one hundred twenty-five million (125,000,000) shares of common stock, par value $0.001 per share (the Common Stock); and (ii) one million (1,000,000) shares of preferred stock (the Preferred Stock). A 2018 Equity Incentive Plan consisting of four million (4,000,000) shares of Common Stock was also adopted by written consent of holders of 85% of the voting securities.

Preferred Stock

Our amended and restated articles of incorporation provide that our board of directors has the authority, without action by the stockholders, to designate and issue shares of preferred stock in one or more classes or series, and the number of shares constituting any such class or series, and to fix the voting powers, designations, preferences, limitations, restrictions and relative rights of each class or series of preferred stock, including, without limitation, dividend rights, dividend rates, conversion rights, exchange rights, voting rights, rights and terms of redemption, dissolution preferences, and treatment in the case of a merger, business combination transaction, or sale of the Company s assets substantially in their entirety, which rights may be greater than the rights of the holders of the common stock.

There are no shares of Preferred Stock issued or outstanding.

Common Stock

Pursuant to the Contribution Agreement, we issued 29,236,759 shares of our Common Stock, in the aggregate, to Mastermind Marketing, Inc, a Georgia Corporation, Digital Advize, LLC, a Georgia limited liability company, and Villanta Corporation, a Georgia Corporation. These three entities are controlled by Daniel A. Dodson, Ricardo Rios, and Michael Gelfond; respectively. Messrs, Dodson, Rios and Gelfond were appointed as our executive officers upon the consummation of the Business Consummation.

Distributions

During the three months ended December 31, 2017, we made cash distributions, in the aggregate, of $100,000 to our members prior to the merger.

Common Stock Options

As of December 31, 2018 and September 30, 2018, there were fully-vested, non-qualified stock options exercisable by Mr. Bennett Yankowitz, our former chief executive officer and sole director into 525,667 shares of our common stock at an exercise price of $0.15 per share. There were no stock options exercised during the three months ended December 31, 2018 and 2017.

7.

Concentration of Credit Risk and Major Customers

For the three months ended December 31, 2018, four clients represented approximately 11%, 16%, 17% and 21%, respectively, of our total revenues. For the three months ended December 31, 2017, five customers represented approximately 11%, 12%, 17%, 17% and 18%, respectively, of our total revenues.

MASTERMIND, INC.

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(Unaudited)

As of December 31, 2018 and September 30, 2018, we had accounts receivable of $666,047, or 71%, due from four customers; and $507,031, or 62%, due from four customers, respectively.

8.

Subsequent Events

We evaluated all events or transactions that occurred after the balance sheet date through the date when these financial statements were available to be issued and we determined that we did not have any material recognizable or disclosable subsequent events.

Item 2.

Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This quarterly report on Form 10-Q contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995 (the Litigation Reform Act). These forward-looking statements and other information are based on our beliefs as well as assumptions made by us using information currently available.

The words anticipate, believe, estimate, expect, intend, will, should and similar expressions, as they rel intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, intended or using other similar expressions.

In accordance with the provisions of the Litigation Reform Act, we are making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors that could cause actual results to differ materially from those contemplated by the forward-looking statements contained in this quarterly report on Form 10-Q. For example, we may encounter competitive, technological, financial and business challenges making it more difficult than expected to continue to develop and market our products; the market may not accept our existing and future products; we may not be able to retain our customers; we may be unable to retain existing key management personnel; and there may be other material adverse changes in our operations or business. Certain important factors affecting the forward-looking statements made herein also include, but are not limited to (i) continued downward pricing pressures in our targeted markets, (ii) the continued acquisition of our customers by certain of our competitors, and (iii) continued periods of net losses, which could require us to find additional sources of financing to fund operations, implement our financial and business strategies, meet anticipated capital expenditures and fund research and development costs. In addition, assumptions relating to budgeting, marketing, product development and other management decisions are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and business developments, the impact of which may cause us to alter our marketing, capital expenditure or other budgets, which may in turn affect our financial position and results of operations. For all of these reasons, the reader is cautioned not to place undue reliance on forward-looking statements contained herein, which speak only as of the date hereof. We assume no responsibility to update any forward-looking statements as a result of new information, future events, or otherwise except as required by law. For further information, you are encouraged to review our filings with the Securities and Exchange Commission (SEC), including our Current Report on Form 8-K, as filed with the SEC on February 22, 2018, as amended on April 20, 2018, and risk factors as discussed therein under Item 2.01.

Overview

We are an involvement marketing service agency, whose mission is to become one of the most well-respected marketing service agencies in the industry capable of involving people with Fortune 500 brands that designs, creates and develops branding and marketing campaigns, primarily for large corporate clients with category-leading brands. We specialize in getting consumers and customers to take an action that leads to brand awareness, trial, loyalty, and ultimately advocacy. Our conversion initiatives facilitate the involvement of more of the right customers with the brands of our clients. Our programs can take on various forms, including creating and managing digital content, designing campaign websites/landing pages, social media and viral campaigns, mobile marketing initiatives, brand communications and search engine optimization. We deliver innovative, result-producing campaigns to meet the business objectives of each client through any number, or combination thereof, or cutting-edge marketing initiatives.

Our most important assets in delivering the highest-quality involvement marketing services to our clients are our highly talented and experienced people made up of technologists, strategists, account service, paid media and creatives who work together and represent a cross-discipline of experts. We pride ourselves in a culture of mutually-shared support and teamwork. We ensure that our team is provided the best-in-class research, equipment, technology and training in all disciplines within our proven delivery process to deliver cutting-edge initiatives the get results. We are very competitive and have a winning culture that is present throughout the work we do for our clients and their brands.

Our organization has been structured in a manner to ensure a broad range of thinking, facilitate work flow, and deliver unparalleled marketing initiatives and service to our clients. This is proven by strong and long-lasting

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relationships with our clients and tenure of our key executives. We have a proven, five-step cyclical approach to every client engagement that ensures that we are taking what we learn from every campaign execution and using that knowledge to optimize future campaigns.

After more than 34 years of our experience in delivering innovative involvement marketing campaigns, including more than five years since our formation in January 2012, we believe our business model is market tested and poised for growth. While executing on our business strategy, we believe we have assembled a diverse and experienced team of senior managers, account executives and creative and analytical directors; developed and executed on involvement marketing campaigns which we believe have added value to our clients; and created our own brand-recognition in the marketing service agency industry. Key elements of our strategy to accelerate revenue growth and continue penetration of the marketplace include organic growth, strategic partnerships, recruitment of talented executives, and accretive acquisitions.

We have relationships with what we believe to be some of the industry s most innovative companies, including Fortune 500 companies, in a diverse spectrum of industries possessing what we believe to be well-known brands. We believe the client relationships established within these diverse industries provide us with a competitive edge over the broader market in the adoption of new strategies and leading technologies. We generate revenues from project/campaign-based fees charged to our clients pursuant to client-specific service agreements.

Through the efforts of our business development team, we identify potential clients having well-known brands as well as leveraging relationships with brands with whom our team is familiar. In addition to identifying potential clients, our senior management team is responsible for nurturing and maintaining existing relationships to ensure customer satisfaction and to promote follow-up campaign opportunities. Our business development team is composed of industry innovators in the communications business with deep connections and experience in digital, social media, technology, promotions, mobile, analytics and campaign development, implementation and management. Our business development team is led by award-winning executives who are frequent contributors to all-things digital on television, radio, conferences and webinars.

Critical Accounting Policies

Our significant accounting policies are described in Note 2 to the financial statements which are included in our Annual Report on Form 10-K as of and for the fiscal years ended September 30, 2018 and 2017. Our discussion and analysis of our financial condition and results of operations are based upon these financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates on an on an on-going basis. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. In the past, actual results have not been materially different from our estimates. However, results may differ from these estimates under different assumptions or conditions.

Results of Operations

Three Months Ended December 31, 2018 vs. December 31, 2017

Revenues

Revenues for the three months ended December 31, 2018 were $1,221,341 as compared with $961,871 for the comparable prior year period, an increase of $259,470 or 27.0%. The increase is attributable to incremental project assignments creating increased project revenues from certain significant existing customers during the three months ended December 31, 2018 as compared to the comparable prior year period. It is anticipated that these increased project assignments will be ongoing and recurring in future periods.

Gross Profit

Gross profit for the three months ended December 31, 2018 was $1,056,256 or 86.5% of revenues, compared with $792,786 or 82.4% of revenues, for the comparable prior year period. The increase in gross profit dollars and gross profit as a percentage of revenues is primarily due to certain projects in the comparable prior year period containing greater contractual out of pocket cost requirements as a percentage of the projects in the aggregate thereby adversely affecting our overall gross profit. The current period projects contain less contractually agreed upon out of pocket costs as a percentage of projects in the aggregate thereby having a favorable effect on our gross profit.

General and Administrative Expenses

General and administrative expenses for the three months ended December 31, 2018 were $990,783 as compared with $714,833 for the comparable prior year period, an increase of $275,950 or 38.6%. Our general and administrative expenses increased primarily as a result of (i) increased personnel and overhead costs in support of our current increase and growth in revenues; and (ii) the increased costs of being a public company including directors and officers insurance, additional accounting and auditing fees, consulting fees and legal fees in the aggregate amount of approximately $50,000..

Other Income (Expense), Net

Other income (expense), net for the three months ended December 31, 2018 was $0 as compared with $4,601 for the comparable prior year period, a decrease of $4,601. The decrease is primarily due to the elimination of interest expense recognized on our former related party note payable.

Liquidity and Capital Resources

As of December 31, 2018, we had cash of $772,961 when compared with a balance of $861,371 as of September 30, 2018.

During the three months ended December 31, 2018, we had net cash of $91,780 used in operating activities as compared with net cash of $695,961 provided by operating activities for the comparable prior year period. Our uses of cash for operating activities have primarily consisted of salaries and wages for our employees; costs incurred in connection with performance on client projects; facility and facility-related costs, material and professional fees. The sources of our cash flows from operating activities have consisted primarily of payments received from clients in connection with the performance on contractually agreed-upon projects. The decrease in cash flows provided by operating activities, as compared to the comparable prior year period, is primarily due to an increase in receivables from customers for billed projects during the period and an increase in unearned revenues.

During the three months ended December 31, 2018, we had net cash of $3,219 used in investing activities as compared with net cash of $7,021 used in investing activities for the comparable prior year period. The net cash outflows during the three months ended December 31, 2018 are a result of the purchase of computers and office equipment during the three months ended December 31, 2018 and 2017, respectively.

During the three months ended December 31, 2018, we had net cash of $6,589 provided by financing activities as compared to net cash of $143,486 used in financing activities for the comparable prior year period. The net cash provided by financing activities during the three months ended December 31, 2018 is a result of a repayment to us of an advance made to a related party. The net cash used in financing activities for the three months ended December 31, 2017 is primarily due to (i) distributions of $100,000 to our chief executive officer, executive vice president and senior vice president, prior to the merger transaction; (ii) repayment of the related party note payable in the amount of $30,000; and (iii) repayment of the related party advance in the amount of $13,486.

There were no exercises of options or warrants during the three months ended December 31, 2018 and 2017.

The ability to attract additional capital investments in the future will depend on many factors, including the availability of credit, rate of revenue growth, ability to acquire new client opportunities, the timing of new product introductions and enhancements to existing products, and the opportunities to acquire complimentary businesses that may be made available to us from time-to-time. We believe that as of December 31, 2018 our cash position and cash flows from our fiscal 2019 operations will be sufficient to fund our working capital and planned strategic activities for at least the next twelve months.

Any potential future sale of equity or debt securities may result in dilution to our stockholders, and we cannot be certain that additional public or private financing will be available in amounts or on terms acceptable to us, or at all. If we are required to raise additional financing, but are unable to obtain such financing, we may be required to delay, reduce the scope of, or eliminate one or more aspects of our operations or business development activities.

Off-Balance Sheet Arrangements

As of December 31, 2018, we did not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, results of operations, liquidity, capital expenditures or capital resources.

Item 3.

Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of our management, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were not effective as of December 31, 2018 to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Management has formed a committee that is planning a series of meetings to address these issues over the next several months. Based on this evaluation, our management concluded that, as of December 31, 2018, our internal control over financial reporting was not effective due to (i) insufficient segregation of duties in the finance and accounting functions due to limited personnel; and (ii) inadequate corporate governance policies. In the future, subject to working capital limitations, we intend to take appropriate and reasonable steps to make improvements to remediate these deficiencies.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) under the Exchange Act) during the fiscal period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II.

OTHER INFORMATION

Item 1.

Legal Proceedings

We are not a party to any legal proceedings, other than ordinary routine litigation incidental to our business, which we believe will not have a material effect on our financial position or results of operations.

Item 1A.

Risk Factors

Not Applicable.

Item 2.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3.

Defaults Upon Senior Securities

None.

Item 4.

Mine Safety Disclosures

Not Applicable.

Item 5.

Other Information

None.

Item 6.

Exhibits

Exhibit No.	Description
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive, Financial and Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.

*	Included herewith.
**	Filed with this report in accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be filed for purposes of Section 18 of the Exchange Act or otherwise subjected to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Mastermind, Inc.

By:	/s/ Daniel A. Dodson Daniel A. Dodson
	Chief Executive Officer
	(Principal Executive, Financial and Accounting Officer)

Dated: February 19, 2019