

**STRIVE FOUNDATION
(A Nonprofit California
Corporation)**

FINANCIAL STATEMENTS

**Year ended
December 31, 2022**

**STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)**

December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Strive Foundation
Los Angeles, California

Opinion

We have audited the accompanying financial statements of Strive Foundation (Strive) (a California nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 Strive as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Strive and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 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.

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 Strive'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, including omissions, 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 Strive'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 Strive'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.

A handwritten signature in blue ink that reads "Maginnis Knechtel & McIntyre, LLP". The signature is written in a cursive, flowing style.

Pasadena, California
October 26, 2023

STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

Current assets	
Cash and cash equivalents (including donor-restricted endowment of \$215 and donor-restricted contribution of \$100,000 for capital expenditures)	\$ 945,937
Investments (including donor-restricted endowment of \$48,982)	<u>863,554</u>
Total current assets	1,809,491
Loan and interest receivable from Vocabuword Ventures LLC (note 3)	12,818
Property and equipment, net (note 4)	<u>1,233,416</u>
Total assets	<u><u>\$ 3,055,725</u></u>

LIABILITIES AND NET ASSETS

Total liabilities	\$ -
Net assets	
Without donor restrictions	2,906,528
With donor restrictions	<u>149,197</u>
Total net assets	<u>3,055,725</u>
Total liabilities and net assets	<u><u>\$ 3,055,725</u></u>

STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF ACTIVITIES
For the year ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Change in net assets:			
Revenue			
Contributions	\$ 890,427	\$ 100,000	\$ 990,427
Strive bakery	7,565	-	7,565
Student registration fees	7,920	-	7,920
Investment income	19,814	1,525	21,339
Net realized and unrealized loss from investments	(91,172)	(4,509)	(95,681)
Other income	11,628	-	11,628
Total public support & revenue	846,182	97,016	943,198
Expenses			
Program services	779,994	-	779,994
General and administration	60,438	-	60,438
Fundraising	67,806	-	67,806
Total expenses	908,238	-	908,238
Change in net assets	(62,056)	97,016	34,960
Net assets at beginning of year	2,968,584	52,181	3,020,765
Net assets at end of year	\$ 2,906,528	\$ 149,197	\$ 3,055,725

See accompanying notes to the financial statements

STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022

	Program services		Support services		Total expenses
	Academic & arts	General & administrative	Fundraising	Total support services	
Personnel costs					
Salaries					
Executive director	\$ 50,000	\$ 25,000	\$ 25,000	\$ 50,000	\$ 100,000
Program director	71,250	3,750	-	3,750	75,000
Academic instructors	246,494	-	-	-	246,494
Grant writers	-	-	32,302	32,302	32,302
Kitchen staff	69,055	-	-	-	69,055
Maintenance staff	35,669	1,877	-	1,877	37,546
Office staff	7,172	377	-	377	7,549
Student staff	8,562	451	-	451	9,013
Total salaries	488,202	31,455	57,302	88,757	576,959
Payroll taxes and payroll service costs	53,570	3,452	6,288	9,740	63,310
Total personnel costs	541,772	34,907	63,590	98,497	640,269
Other costs					
Program material, supplies and services	155,603	-	-	-	155,603
Fundraising costs	-	-	4,216	4,216	4,216
Other costs	82,619	25,531	-	25,531	108,150
Total expenses	<u>\$ 779,994</u>	<u>\$ 60,438</u>	<u>\$ 67,806</u>	<u>\$ 128,244</u>	<u>\$ 908,238</u>

See accompanying notes to the financial statements

STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022

	<u>Program services</u>	<u>General & administrative</u>	<u>Total expenses</u>
Other costs			
Accounting costs	\$ -	\$ 18,154	\$ 18,154
Bank service charges/Charge card fees	-	468	468
Donation	-	425	425
Consultants	2,402	126	2,528
Depreciation	26,160	1,377	27,537
Dues & Subscriptions	1,724	91	1,815
Employment costs	-	25	25
Insurance	14,776	778	15,554
Office supplies	-	599	599
Landscaping	1,540	513	2,053
Legal Fees	2,625	875	3,500
Permits	20	7	27
Postage & delivery	-	338	338
Property Supplies	3,315	174	3,489
Property taxes	4,496	237	4,733
Repairs	7,780	409	8,189
Security	560	29	589
Utilities and waste disposal	17,221	906	18,127
	<u>82,619</u>	<u>25,531</u>	<u>108,150</u>
Total other costs	<u>\$ 82,619</u>	<u>\$ 25,531</u>	<u>\$ 108,150</u>

See accompanying notes to the financial statements

STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2022

Cash flow from operating activities:	
Change in net assets	\$ 34,960
Adjustments to reconcile net assets to net cash provided by operating activities	
Depreciation	27,537
Net realized and unrealized loss from investments	95,681
Gain from sales of equipment	(100)
Changes in assets and liabilities	
Contributions and other receivables	1,351
Prepaid expenses	3,449
Accrued expenses	(590)
Credit card payable	(4,067)
	<hr/>
Net cash provided by operating activities	158,221
Cash flow from investing activities:	
Purchase of property and equipment	(67,164)
Proceeds from disposal of equipment	100
Purchase of investments	(426,702)
Proceeds from sales of investments	6,865
	<hr/>
Net cash (used) by investing activities	(486,901)
Net decrease in cash and cash equivalents	(328,680)
Cash and cash equivalents, at beginning of year	<hr/> 1,274,617
Cash and cash equivalents, at end of year	<hr/> <hr/> \$ 945,937

See accompanying notes to the financial statements

**STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

1 Organization and summary of significant accounting policies

Organization

Strive Foundation (Strive) is a not-for-profit voluntary health and welfare organization incorporated in California in 1991. Its purpose is to provide exemplary academic and guidance to children, youth and their families in the Watts community of Los Angeles. Strive Foundation provides education, support and development in reading, writing and English literacy; math and cognitive skills; computer and information literacy; culinary and arts; protégé resources; development of the moral, creative and entrepreneurial spirit.

Strive encourages their children to think and project themselves not as victims, but as individually responsible stewards of their own behavior, choices and the resulting course they choose for their lives.

Strive's support is derived from individuals, foundations and corporate donor contributions.

Basis of accounting

The financial statements of Strive have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of preparation

Strive Foundation reports amounts in the accompanying financial statements for each of two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include contributions received without any donor-imposed restrictions. All expenses are reported as decreases in net assets without donor restrictions. Revenues, gains and losses on assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donor-imposed stipulations.

Net assets with donor restrictions are classified as such based on donor stipulations that they be used for a specified purpose or timing of use. Net assets with donor restrictions become available once the restriction has been satisfied. Once satisfied, these amounts are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO FINANCIAL STATEMENTS

1 Organization and summary of significant accounting policies, continued

Contribution revenue

Contributions received, including unconditional promises to give, are recognized as revenues and assets in the period received at their net realizable values. Strive Foundation reports grants, gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets.

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of 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, are recorded at their fair values in the period received.

Program revenue recognition

Program revenue fees received in exchange for participation in programs or goods are deferred and recognized when the program occurs, or the goods are provided. Program revenue receivable from program revenue was insignificant to the financial statements.

Cash and cash equivalents

For purposes of the statement of cash flows, Strive considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments and unrealized investment gains and losses

Investments, consisting of mutual funds, fixed-income securities and equities, are reported at market value. Unrealized gains and losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by donors to a specified purpose or future period.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO FINANCIAL STATEMENTS

1 Organization and summary of significant accounting policies, continued

Fair value measurements

In determining fair value, Strive utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value.

Financial assets measured at fair value on a recurring basis are classified based on a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but are corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Property and equipment

Property and equipment are capitalized at cost. It is Strive's policy to capitalize expenditures for these items in excess of five hundred dollars. Lesser amounts are expensed. Real property is being depreciated over an estimated useful life of 39 years, furniture and equipment are being depreciated over 5-7 years.

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 reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

Expense allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses that can be specifically identified with a particular program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting services are allocated based on methods determined by management. Accordingly, payroll and certain other costs expenses are allocated based on personnel function, time, occupancy and effort.

**STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

1 Organization and summary of significant accounting policies, continued

Concentration of credit risk

Financial instruments that potentially subject Strive to concentration of credit risk are primarily cash and cash equivalents, receivables and investments. Strive maintains funds in what management believes are high-credit, quality financial institutions that, from time-to-time, exceed the Federal Deposit Insurance Corporation (FDIC) insured limit. Management has not experienced any losses in such accounts and believes that Strive is not exposed to any significant credit risk related to cash.

Endowment fund

Strive's net assets with donor restrictions include an endowment fund established for the purposes discussed in Note 7. As required by generally accepted accounting principles, net assets associated with an endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Strive has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Strive retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by Strive in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Strive considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Strive, and (7) Strive's investment policies.

Investment Return Objectives, Risk Parameters and Strategies - Strive has adopted investment and spending policies, to be approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation. Endowment assets are invested in a mutual fund, which is intended to result in a consistent inflation-protected rate of return. Strive, with donor's approval, plans to grow the endowment assets without appropriating the fund for a few years. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

1 Organization and summary of significant accounting policies, continued

Endowment fund, continued

Spending Policy - Strive has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value of the prior three years through the fiscal year in which the distribution is planned. In establishing this policy, Strive considered the long-term expected return on its investment assets, the nature and duration of the individual endowment fund, and the possible effects of inflation.

Income taxes

The Internal Revenue Service has classified Strive as exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. United States federal and state jurisdictions in which Strive files tax returns have statutes of limitations that generally range from three to four years. No open tax returns are currently under examination in the U.S. federal or state jurisdictions.

Date of management's review

Strive has evaluated subsequent events through October 26, 2023, the date the financial statements were available to be issued.

2 Investments

Fair values for short-term and long-term equity investments are determined by reference to quoted market prices and other relevant information generated by market transactions. At December 31, 2022, investments that consist of fair market value based on quoted prices in active markets (Level 1) and observable price (Level 2):

	Total Fair value	<u>Investments at Fair Value</u>	
		<u>(Level 1)</u>	<u>(Level 2)</u>
Certificate of deposit	\$ 350,000	\$ -	\$ 350,000
Common stocks	354,977	354,977	-
Mutual fund	<u>158,577</u>	<u>158,577</u>	<u>-</u>
Total Investment	<u>\$ 863,554</u>	<u>\$ 513,554</u>	<u>\$ 350,000</u>

The return on these investments for the year ended December 31, 2022 is as follows:

Total realized and unrealized gain (loss)	\$ (95,681)
Interest and dividend income	<u>21,339</u>
Total investments return	<u>\$ (74,342)</u>

**STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

3 Loan receivable from Vocabuword Ventures, LLC

Strive, using in-house revenues, paid for expenses for a related party, Vocabuword Ventures, LLC (Vocabuword), founded by Strive’s founder and president. On August 31, 2015, Strive finalized a loan agreement with Vocabuword in the amount of \$11,490. Interest is compounded annually and accrued based on the Mid-term Applicable Federal Rate. The maturity date of the loan was amended to December 31, 2024. At December 31, 2022, \$1,328 interest receivable was accrued and \$134 interest revenue was earned in year 2022.

4 Property and equipment

Donated property and equipment is presented on the balance sheet at fair market value at the time of donation or appraised value. The net property and equipment are as follows:

Land	\$ 443,883
Building & improvements	1,024,360
Equipment, computers & furnishings	<u>97,463</u>
Total property & equipment	1,565,706
Accumulated depreciation	<u>(332,290)</u>
Net property & equipment	<u>\$ 1,233,416</u>

5 Liquidity and availability of net assets

At December 31, 2022, Strive had \$1,652,375 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$837,803 and investment of \$814,572. Additionally, \$100,000 cash was available but restricted for capital expenditures as of December 31, 2022.

As part of Strive’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is generally held in savings or money market accounts until it is required for operational use.

6 401(k) plan

Strive has a 401(k) plan for all eligible employees. Eligible employees may elect to contribute up to 90% of their gross salary not to exceed federal tax law limitations. The maximum matching contribution by Strive is 100% of the contribution made by an employee but not to exceed 5% of the employee’s eligible compensation as defined in the plan. Strive’s 401(k) contribution for the year ended December 31, 2022 was \$9,054.

**STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO FINANCIAL STATEMENTS**

7 Net assets with donor restrictions

Net assets with donor restrictions consist of net assets that are purpose restricted and perpetual in nature which were included in cash and cash equivalents and investments. No Net assets with donor restrictions was released from restrictions in the statements of activities during the year ended December 31, 2022 because either Strive satisfied the purpose of the gift restrictions or time restrictions expired.

Net assets with donor restrictions – Purpose restricted at December 31, 2022 were restricted for the following:

Investment return on net assets with donor restrictions	
Amount not yet appropriated for expenditure	\$ 9,197
Donations restricted for capital expenditures	100,000

Net assets with donor restrictions – Perpetual in nature at December 31, 2022 were restricted for the following:

After school academics, arts and guidance program	\$ 40,000
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Strive's donor-restricted endowment fund, including the unspent appreciation of the endowment fund and the portion of Strive's donor-restricted endowment fund that the foundation is committed to maintaining in perpetuity, are classified in net assets with donor restrictions.

The composition of and changes in donor-restricted endowment net assets as of and for the year ended December 31, 2022 is as follows:

	<u>Purpose restricted</u>	<u>Perpetual in nature</u>	<u>Total net endowment assets</u>
Endowment net assets, December 31, 2021	\$ 12,181	\$ 40,000	\$ 52,181
Contributions	-	-	-
Investment income	1,525	-	1,525
Realized and unrealized gain and (loss)	(4,509)	-	(4,509)
Amounts appropriated for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2022	<u>\$ 9,197</u>	<u>\$ 40,000</u>	<u>\$ 49,197</u>