

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

FINANCIAL STATEMENTS

**Year ended
December 31, 2014**

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

December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Strive Foundation
Los Angeles, California

We have audited the accompanying financial statements of Strive Foundation, (a nonprofit California Corporation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Strive Foundation as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Maginnis Krechtel & McIntyre, LLP

Pasadena, California
August 26, 2015

STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS		
Cash and cash equivalents		\$ 211,374
Accounts Receivable		805
Investments		38,028
Prepaid expenses		3,012
Advance to Vocabuword Ventures LLC (note 4)		11,490
Property and equipment, net of depreciation (note 2)		649,349
TOTAL ASSETS		\$ 914,058
LIABILITIES		
Accrued expenses		\$ 35,636
Credit card payable		1,288
TOTAL LIABILITIES		36,924
NET ASSETS		
Unrestricted		872,078
Temporarily restricted		5,056
TOTAL NET ASSETS		877,134
TOTAL LIABILITIES AND NET ASSETS		\$ 914,058

See accompany notes to the financial statements.

**STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CHANGE IN NET ASSETS:			
Revenue			
Contributions	\$ 481,414	\$ -	\$ 481,414
Strive bakery	10,186	-	10,186
Student registration fees	11,106	-	11,106
Investment income	7,950	-	7,950
Net assets released from restrictions:	-	-	-
Satisfaction of program restrictions	<u>19,071</u>	<u>(19,071)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT & REVENUE	529,727	(19,071)	510,656
EXPENSES			
Program services	380,562	-	380,562
General and administration	97,541	-	97,541
Fundraising	<u>1,715</u>	<u>-</u>	<u>1,715</u>
TOTAL EXPENSES	<u>479,818</u>	<u>-</u>	<u>479,818</u>
CHANGE IN NET ASSETS	49,909	(19,071)	30,838
NET ASSETS AT BEGINNING OF YEAR	<u>822,169</u>	<u>24,127</u>	<u>846,296</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 872,078</u></u>	<u><u>\$ 5,056</u></u>	<u><u>\$ 877,134</u></u>

See accompany notes to the financial statements.

**STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

CASH FLOW FROM OPERATING ACTIVITIES:	
CHANGE IN NET ASSETS	\$ 30,838
ADJUSTMENTS TO RECONCILE NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Depreciation	14,719
Unrealized (gain) on investment	(6,731)
Securities contribution	(10,346)
Changes in assets and liabilities	
Accounts Receivable	(805)
Prepaid expenses	664
Accrued expenses	30,065
Credit card payable	311
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	58,715
CASH FLOW FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(1,244)
Investment in securities	(1,133)
	<hr/>
NET CASH (USED) BY INVESTING ACTIVITIES	(2,377)
NET INCREASE IN CASH	56,338
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<hr/> 155,036
CASH AND CASH EQUIVALENTS AT END OF YEAR	<hr/> <u>\$ 211,374</u>
Non-cash investing activities:	
Securities received as contribution	<u>\$ 10,346</u>

See accompany 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 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.

The Foundation's support is derived from individuals, foundations and corporate donor contributions. The Foundation does not seek and has not received government funds.

Basis of Accounting

The financial statements of Strive Foundation 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: unrestricted net assets and temporarily restricted net assets. Unrestricted net assets include contributions received without any donor-imposed restrictions. All expenses are reported as decreases in unrestricted net assets. Revenues, gains and losses on assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor-imposed stipulations.

Temporarily restricted net assets are classified as such based on donor stipulations that they be used for a specified purpose or timing of use. Temporarily restricted net assets 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 gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets.

Cash and cash equivalents

For purposes of the statement of cash flows, Strive Foundation 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 are reported at market value and unrealized gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donors to a specified purpose or future period.

Property and equipment

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

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 service are allocated based on methods determined by management.

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

1 Organization and summary of significant accounting policies, continued

Public Support and Revenue

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets 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 not recorded at their fair values in the period received.

Concentration of Credit Risk

Financial instruments that potentially subject Strive Foundation to concentration of credit risk are primarily cash and cash equivalents.

Strive Foundation places its cash and cash equivalent deposits with what management believes are high-credit, quality financial institutions. Balances in the Foundation's cash accounts have not exceeded insurance limits as of the financial statement date. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash as the Foundation is insured through the Federal Deposit Insurance Corporation and Securities Investor and Protection Corporation. No cash balance is in excess of the FDIC Insured amount of \$250,000.

Income Taxes

The Internal Revenue Service has classified the Organization as exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

United States federal and state jurisdictions in which the Company 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.

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

2 Property and Equipment

Property, leasehold improvements, furniture and equipment are capitalized at cost. It is the Foundation's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. Leasehold improvements are being amortized over estimated useful lives of thirty-nine years using a straight-line method. Furniture and fixtures are being depreciated over seven years and machinery and equipment over five years.

Donated property and equipment is presented on the balance sheet at fair market value at the time of donation or appraised value. These assets are not subject to depreciation. The Net Property & Equipment are as follows:

Land	\$ 104,450
Building	670,140
Equipment, Computers & Furnishings	50,845
Automobile	21,672
Total Property & Equipment	<u>847,107</u>
 Accumulated Depreciation	 (<u>197,758</u>)
Net Property & Equipment	<u>\$649,349</u>

Depreciation expense was \$14,719 for the year ended December 31, 2014.

3 Investments

At December 31, 2014, investments consist of fair market value based on quoted prices in active markets (all Level 1 measurements), and are summarized as follows:

	Cost	Fair Value	Unrealized gain/(loss)
Common stocks	\$31,297	\$38,028	\$6,731

4 Advance to Vocabuword Ventures, LLC

Strive Foundation paid expenses for Vocabuword Ventures, LLC founded by Strive Foundation's founder and president.

**STRIVE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS**

5 Temporarily Restricted Net Assets

Temporarily restricted net assets are available for specific grant purposes:

The Rose Hills Foundation \$5,056

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by the donor as follows:

The Rose Hills Foundation \$19,071

6 Contingency

In January 2014, it was discovered that the Strive Foundation federal and California payroll tax deposits that were paid into an independent payroll service trust account were not transferred to the appropriate federal and state taxing authorities, due to embezzlement by the payroll service. As the result, Strive Foundation made a \$6,152 tax payment to State of California in 2014, and was assessed by IRS for a federal tax balance of \$30,322. The tax liability has been accrued as of December 31, 2014 and will be paid in monthly installments of \$750 commencing in 2015. Strive Foundation has filed a claim for reimbursement in U.S. District Court against the indemnity insurance company that insured the payroll service. At this time, the recovery amount is estimated at \$18,924.

7 Functional Allocation of Expenses

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.

8 Fair value measurements

Fair values of assets measured on a recurring basis at December 31, 2014 are as follows:

	<u>Fair value</u>	Quoted Prices In Active Markets for Identical Instruments (Level 1) <u>(Level 1)</u>
Investments	\$ 38,028	\$38,028

Fair values for short-term and long-term investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

**STRIVE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS**

9 Subsequent events

Strive Foundation has evaluated subsequent events through August 26, 2015, the date the financial statements were available to be issued.

Supplemental Information

STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
SCHEDULES OF FUNCTIONAL EXPENSES
SCHEDULE 1
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
PERSONNEL COSTS				
Salaries				
Executive director	\$ 27,500	\$ 27,500	\$ -	\$ 55,000
Program director	52,250	2,750	-	55,000
Academic instrutors	<u>161,615</u>	<u>-</u>	<u>-</u>	<u>161,615</u>
Total personnel	241,365	30,250	-	271,615
Payroll taxes and payroll service costs	<u>33,354</u>	<u>4,180</u>	<u>-</u>	<u>37,534</u>
Total personnel and payroll taxes	274,719	34,430	-	309,149
OTHER COSTS				
Program service expenses	33,124	-	-	33,124
Fundraising costs	-	-	1,715	1,715
Other costs	<u>72,719</u>	<u>63,111</u>	<u>-</u>	<u>135,830</u>
TOTAL EXPENSES	<u><u>\$ 380,562</u></u>	<u><u>\$ 97,541</u></u>	<u><u>\$ 1,715</u></u>	<u><u>\$ 479,818</u></u>

**STRIVE FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
SCHEDULES OF FUNCTIONAL EXPENSES
SCHEDULE 2
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Total Expenses</u>
Accounting costs	\$ -	\$ 6,510	\$ 6,510
Auto costs	1,058	56	1,114
Bank service charges/Charge card fees	-	119	119
Cleaning Staff	9,228	486	9,714
Contributions	-	100	100
Depreciation	13,983	736	14,719
Dues & subscriptions	-	60	60
Employment costs	-	452	452
Gardening and animal supplies	-	2,631	2,631
Insurance	23,886	1,257	25,143
Internet services/Website/Computer	-	4,122	4,122
Office supplies	-	3,184	3,184
Payroll embezzlement	-	37,552	37,552
Personnel Costs	1,875	-	1,875
Postage & delivery	-	892	892
Property taxes	896	47	943
Repairs	4,512	237	4,749
Start-up fees	-	1,950	1,950
Security	2,159	114	2,273
Taxes & licenses	-	196	196
Telephone	-	1,047	1,047
Travel & meals	-	567	567
Utilities and Waste Disposal	15,122	796	15,918
Total Other Costs	<u>\$ 72,719</u>	<u>\$ 63,111</u>	<u>\$ 135,830</u>