

STRIVE FOUNDATION
(A CALIFORNIA NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Strive Foundation
Los Angeles, California

We have audited the accompanying financial statements of Strive Foundation (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities 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 controls 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 of 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.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Strive Foundation
Los Angeles, California

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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, 2013, 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.

Joel S. Morse, CPA
Los Angeles, California
November 10, 2014

STRIVE FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS	
Current Assets	
Cash and cash equivalents (note 3)	\$ 155,036
Investments (note 5)	19,818
Vocabuword Ventures LLC - Loan (note 6)	11,490
Prepaid expenses	3,676
Total current assets	190,020
Property and equipment, net of depreciation (note 4)	660,874
Start up fees	1,950
Total	662,824
TOTAL ASSETS	\$ 852,844
LIABILITIES	
Accrued expenses	\$ 5,571
Credit card payable	977
Total	6,548
TOTAL LIABILITIES	6,548
NET ASSETS	
Unrestricted	822,169
Temporarily restricted	24,127
Total	846,296
TOTAL NET ASSETS	846,296
TOTAL LIABILITIES AND NET ASSETS	\$ 852,844

See accompanying notes to financial statements.

STRIVE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CHANGE IN NET ASSETS:			
Revenue			
Contributions	\$ 410,393	\$ 25,000	\$ 435,393
Strive bakery	5,981	0	5,981
Student registration fees	8,402	0	8,402
Dividend/interest income	1,280	0	1,280
Other income	1,280	0	1,280
Net assets released from restrictions:	0	0	0
Satisfaction of program restrictions	873	(873)	0
TOTAL PUBLIC SUPPORT & REVENUE	<u>428,209</u>	<u>24,127</u>	<u>452,336</u>
EXPENSES			
Program services	346,921	0	346,921
General and administration	61,800	0	61,800
Fundraising	6,085	0	6,085
TOTAL EXPENSES	<u>414,806</u>	<u>-</u>	<u>414,806</u>
CHANGE IN NET ASSETS	13,403	24,127	37,530
NET ASSETS AT BEGINNING OF PERIOD	<u>808,766</u>	<u>0</u>	<u>808,766</u>
NET ASSETS AT ENDING OF PERIOD	<u>\$ 822,169</u>	<u>\$ 24,127</u>	<u>\$ 846,296</u>

See accompanying notes to financial statements.

STRIVE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

PERSONNEL COSTS	<u>Program Services</u>	<u>General & Administrative</u>	<u>TOTAL EXPENSES</u>
Salaries			
Executive director	\$ 27,500	\$ 27,500	\$ 55,000
Program Director	52,250	2,750	55,000
Academic Instructors	113,992	0	113,992
Cleaning Staff	10,674	562	11,236
Total Personnel	<u>204,416</u>	<u>30,812</u>	<u>235,228</u>
Payroll Taxes & Payroll Service Costs	<u>23,355</u>	<u>3,520</u>	<u>26,875</u>
Total Personnel and Payroll taxes	227,771	34,332	262,103
 OTHER COSTS			
Program service expenses	32,923	0	32,923
Fundraising costs	0	6,085	6,085
Other costs (see statement 1)	86,227	27,468	113,695
 TOTAL EXPENSES	 <u>\$ 346,921</u>	 <u>\$ 67,885</u>	 <u>\$ 414,806</u>

See accompanying notes to financial statements.

STRIVE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
STATEMENT 1
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services	General & Administrative	TOTAL EXPENSES
Accounting costs	\$ 0	\$ 6,510	\$ 6,510
Auto costs	3,275	172	3,447
Bank service charges/Charge card fees	0	304	304
Depreciation	14,879	783	15,662
Gardening and Animal Supplies	0	2,708	2,708
Independent Instructors	5,220	0	5,220
Insurance	20,913	1,101	22,014
Internet Services/Website/Computer	0	4,246	4,246
Office supplies	0	6,780	6,780
Postage & delivery	0	1,202	1,202
Property Taxes	940	49	989
Repairs	25,572	1,346	26,918
Security	1,647	87	1,734
Taxes & Licenses	0	197	197
Telephone	0	1,177	1,177
Travel & meals	0	81	81
Utilities and Waste Disposal	13,781	725	14,506
TOTAL OTHER COSTS	\$ 86,227	\$ 27,468	\$ 113,695

See accompanying notes to financial statements.

STRIVE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOW FROM OPERATING ACTIVITIES:	
CHANGE IN NET ASSETS	\$ 37,530
ADJUSTMENTS TO RECONCILE NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Depreciation	15,662
Changes in assets and liabilities:	
Advances	(4,854)
Prepaid expenses	450
Accrued Expenses	(391)
Credit Card Payable	<u>(1,590)</u>
TOTAL ADJUSTMENTS	<u>9,277</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	46,807
CASH FLOW FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	(22,314)
Investment in securities	<u>(5,497)</u>
NET CASH USED BY INVESTING ACTIVITIES:	(27,811)
NET INCREASE IN CASH	18,996
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>136,040</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$ 155,036</u></u>
INTEREST PAID	<u><u>\$ 0</u></u>

See accompanying notes to financial statements.

STRIVE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1 - ORGANIZATION AND OPERATIONS

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

STRIVE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

Investments are composed of marketable securities that are both purchased and which have been donated to the Strive Foundation and are carried at cost.

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.

STRIVE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. The amount in excess of the FDIC Insured amount of \$250,000 is zero.

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.

STRIVE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 3 – CASH AND CASH EQUIVALENTS - UNRESTRICTED

Cash is composed of Unrestricted Cash in the amount of \$128,656.

The Foundation considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Cash and Cash Equivalents – Restricted

Restricted Cash at December 31, 2013 is \$ 24,127

NOTE 4 – PROPERTY & 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 & Buildings	\$ 256,938
Improvements	517,651
Equipment, Computers & Furnishings	47,652
Automobile	<u>21,672</u>
Total Property & Equipment	843,913
Accumulated Depreciation	<u><183,039 ></u>
Net Property & Equipment	<u>\$ 660,874</u>

Depreciation expense was \$15,662 for the year ended December 31, 2013.

STRIVE FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 5 – INVESTMENTS IN SECURITIES

Investments in marketable securities are carried at cost and are summarized as follows at December 31, 2013:

Available-for-sale securities:	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Common Stock	<u>\$19,818</u>	<u>\$24,123</u>	<u>\$4,305</u>

NOTE 6 – VOCABUWORD VENTURES, LLC - LOAN

Strive paid expenses for Vocabuword, LLC through in-house funds and not Grants. The expenses are to be reimbursed.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for specific grant purposes:

The Rose Hills Foundation	<u>\$24,127</u>
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Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by the donor as follows:

The Rose Hills Foundation	<u>\$873</u>
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NOTE 8 – CONTINGENT LIABLILTIY

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. Strive 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 not determinable.

NOTE 9 – 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.