THRIVE FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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DAIGREPONT & BRIAN
A Professional Accounting Corporation *Certified Public Accountants*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Thrive Foundation
Baton Rouge, LA

Report on the Financial Statements
We have audited the accompanying financial statements of Thrive Foundation (a non-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 judgement, 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 Thrive Foundation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Daigrepont & Brian APAC

Daigrepont & Brian, APAC
Baton Rouge, LA

December 14, 2020

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THRIVE FOUNDATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets		
Cash	$ 91,178	$ 37,338
Interest receivable	53,095	53,130
Total Current Assets	144,273	90,468
Property and Equipment		
Land	1,200,000	1,200,000
Building	8,651,376	8,634,206
Equipment	212,999	201,360
Software	10,966	10,966
Furniture & fixtures	45,932	3,767
Accumulated depreciation	(1,041,108)	(729,571)
Total Property and Equipment	9,080,165	9,320,728
Other Assets		
Prepaids	3,619	16,343
Total Other Assets	3,619	16,343
Long Term Assets		
Note receivable	5,539,200	5,539,200
Total Long Term Assets	5,539,200	5,539,200
Total Assets	$ 14,767,257	$ 14,966,739
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 65,743	$ 85,740
Accrued Interest	73,118	48,442
Short term portion of long term debt	419,042	291,379
Total Current Liabilities	557,903	425,561
Long Term Liabilities		
Long term debt, net of current portion	11,265,277	11,534,902
Total Long Term Liabilities	11,265,277	11,534,902
Total Liabilities	11,823,180	11,960,463
Net Assets Without Donor Restrictions	2,944,077	3,006,276
Total Liabilities and Net Assets	$ 14,767,257	$ 14,966,739

See accompanying notes and independent auditors' report.

THRIVE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Rental Income	$ 1,439,717	$ -	$ 1,439,717
Contributions	374,332	54,800	429,132
Interest Income	212,343		212,343
Other Income	32,676	-	32,676
Net assets released from restriction	54,800	(54,800)	-
Total Revenues	2,113,868	-	2,113,868
EXPENSES			
Program services	1,508,167	-	1,508,167
Management and general	667,900	-	667,900
Total Expenses	2,176,067	-	2,176,067
CHANGE IN NET ASSETS	(62,199)	-	(62,199)
Net assets - beginning of year	3,006,276	-	3,006,276
Net assets - end of year	$ 2,944,077	$ -	$ 2,944,077

See accompanying notes and independent auditors' report.

THRIVE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Rental Income	$ 1,129,034	$ -	$ 1,129,034
Contributions	93,288	114,500	207,788
Interest Income	152,830	-	152,830
State Funding	232,001	-	232,001
Other Income	4,310	-	4,310
Net assets released from restriction	114,500	(114,500)	-
Total Revenues	1,725,963	-	1,725,963
EXPENSES			
Program services	1,539,058	-	1,539,058
Management and general	530,922	-	530,922
Total Expenses	2,069,980	-	2,069,980
CHANGE IN NET ASSETS	(344,017)	-	(344,017)
Net assets - beginning of year	3,350,293	-	3,350,293
Net assets - end of year	$ 3,006,276	$ -	$ 3,006,276

See accompanying notes and independent auditors' report.

THRIVE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Management & General	Total
Banking fees	$ 785	$ 196	$ 981
Contributions	112,609	-	112,609
Depreciation	233,658	77,879	311,537
Employee benefits	8,838	26,512	35,350
Equipment & furniture	84,726	21,187	105,913
Facility expenses	34,163	34,162	68,325
Food service	2,286	-	2,286
Insurance	98,002	24,500	122,502
Interest expense	455,299	151,766	607,065
Materials and software	4,795	-	4,795
Miscellaneous	1,759	440	2,199
Payroll Taxes	4,542	13,623	18,165
Rent	839	279	1,118
Repairs & maintenance	132,068	44,023	176,091
Salaries & wages	56,985	170,954	227,939
Supplies	22,619	7,540	30,159
Technical & Professional	83,105	48,265	131,370
Transportation	31,367	-	31,367
Utilities	139,722	46,574	186,296
	$ 1,508,167	$ 667,900	$ 2,176,067

See accompanying notes and independent auditors' report.

THRIVE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Management & General	Total
Banking fees	$ 23,050	$ 5,762	$ 28,812
Contributions	461,430	-	461,430
Depreciation	235,366	78,455	313,821
Employee benefits	7,210	21,631	28,841
Equipment & furniture	1,066	267	1,333
Facility expenses	50,552	50,551	101,103
Food service	4,743	-	4,743
Insurance	43,091	10,773	53,864
Interest expense	399,247	133,082	532,329
Materials and software	18,401	-	18,401
Miscellaneous	4,042	1,010	5,052
Payroll Taxes	3,412	10,237	13,649
Rent	2,196	732	2,928
Repairs & maintenance	74,957	24,986	99,943
Salaries & wages	42,512	127,536	170,048
Supplies	28,783	9,594	38,377
Technical & Professional	29,254	30,314	59,568
Transportation	31,770	-	31,770
Utilities	77,976	25,992	103,968
	$ 1,539,058	$ 530,922	$ 2,069,980

See accompanying notes and independent auditors' report.

THRIVE FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (62,199)	$ (344,017)
Adjustments to reconcile net revenues over expenses to net cash provided by (used in) operating activities:		
Depreciation	311,537	313,821
Decrease in accounts receivable	-	38,175
(Increase) decrease in interest receivable	35	(53,130)
Decrease in due from Thrive Baton Rouge, a related organization	-	219,276
Decrease in prepaids	12,724	1,137
Increase in note receivable	-	(5,539,200)
Decrease in accounts payable	(19,997)	(10,130)
Increase in interest payable	24,676	48,442
Decrease in due to Thrive Baton Rouge, a related organization	-	(143,856)
Total adjustments	328,975	(5,125,465)
Net cash provided by (used in) operating activities	266,776	(5,469,482)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment purchases	(70,974)	(104,473)
Net cash used in investing activities	(70,974)	(104,473)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	-	(235,921)
Payments on short-term debt	(293,662)	(225,928)
Proceeds from short-term debt	60,616	5,485,306
Proceeds from long-term debt	91,084	291,379
Increase in organizational costs	-	58,370
Net cash provided by (used in) financing activities	(141,962)	5,373,206
INCREASE (DECREASE) IN CASH	53,840	(200,749)
CASH, BEGINNING OF YEAR	37,338	238,087
CASH, END OF YEAR	$ 91,178	$ 37,338
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$ 582,389	$ 483,887

See accompanying notes and independent auditors' report.

THRIVE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

1. Summary of Significant Accounting Policies

Nature of Operations

Thrive Foundation (the Foundation) was formed as a non-profit Foundation in October of 2013. The Foundation provides support to a local charter school, Thrive Academy chiefly in the areas of facilities, fundraising, and facilitating financing. Currently, the main source of support for the Foundation is rent collections from the Louisiana Department of Education (LDOE). The LDOE submits payments to the Foundation using school funding that would have been paid to Thrive Academy, which is the entity current renting the school building.

Basis of Accounting

The financial statements of Thrive Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Net Assets

The Foundation reports information regarding its financial position and activities according to two classes of net assets.

Net Assets Without Donor Restrictions are net assets that are not subject to donor-imposed restrictions and are available for use at the organization's discretion.

Net Assets With Donor Restrictions are net assets subject to donor-imposed restrictions that may or will be met, either by actions of the organization, and/or the passage of time. Once the restrictions are met, they are reclassified to net assets without donor restrictions. The Foundation does not have any net assets with donor restrictions for the year ended June 30, 2020 or 2019.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash includes all funds in checking and savings accounts.

Income Taxes

The Foundation accounts for income taxes in accordance with FASB ASC 740-10, Accounting for *Uncertainty in Income Taxes*. Management believes it has no material uncertain tax positions and, accordingly has not recognized a liability for any unrecognized tax benefits.

The Foundation is a non-profit Foundation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation files Form 990 in the U.S. federal jurisdiction. The Foundation is no longer subject to federal information return examinations by tax authorities for years before 2016.

1. Summary of Significant Accounting Policies (continued)

Functional Expenses

The Foundation allocates its expenses on a functional basis among its various programs. Expenses that can be identified with the Foundation's services are allocated directly according to their natural expense classification. Other expenses are allocated between program service and general and administrative based on management's estimate of time, percentage, or square footage used, among other factors.

Revenue Recognition

The Foundations main source of revenue comes from a rental agreement with the Louisiana Dept. of Education for the use of its facilities for the state run charter school, Thrive Academy. The agreement was entered into in 2017 and has been extended for additional annual term each of the last three years for the same terms.

The Foundation receives private funding in the form of contributions from various individuals and entities. Contributions are recognized when an unconditional promise to give is received. Conditional promises to give, with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The Foundation does not have any activity that would give rise to variable consideration.

Recently Issued Accounting Standards

Effective July 1, 2019, the Foundation adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". This ASU and all subsequently issued clarifying ASUs replaced most revenue recognition guidance in U.S. GAAP and addresses how an entity should recognize revenue derived from various contracts with customers that generate revenue, along with requiring additional disclosures related to the nature, amount, and timing of revenue and cash flows arising from contracts with customers. Primarily, the update requires the organization to evaluate the various performance obligations related to its contracts with customers, allocate the transaction price to the various performance obligations, and recognize revenue as performance obligations are satisfied. The standard was adopted using the modified retrospective method.

Effective July 1, 2019, the Foundation adopted the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves the guidance for contributions received and contributions made, and provides guidance to organizations on how to account for transactions as contributions or exchange transactions. In addition, it clarifies whether a contribution is conditional.

The adoption of these standards did not result in any changes to beginning net assets at July 1, 2019. Based on the Foundation's evaluation process and review of its lease agreement and contribution award documentation, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standards.

2. Property and Equipment

All acquisitions of property and equipment in excess of $500 and all expenditures for betterments that materially prolong the useful lives of assets are capitalized and are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives ranging from 5-39 years.

Depreciation expense was $311,537 and $313,821 for the years ended June 30, 2020 and 2019, respectively.

3. Commitments and Contingencies

Beginning in October of 2017 and on, the majority of the Foundation's funding comes in form of rent collected from LDOE, as discussed above. The rental agreement is renewable annually therefore it is possible that this source of revenue could be reduced or eliminated based on whether LDOE and Thrive Academy agrees to the terms of the agreement.

4. Concentrations

Financial instruments, which potentially subject the Foundation to concentration of credit risk, consist of cash accounts held with a bank. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000. For the years ended June 30, 2020 and 2019 there were no cash amounts in excess of FDIC insured limits.

Beginning in October of 2017 and going forward, the majority of the Foundation's revenue comes in the form of rent collections received from Thrive Academy and LDOE as they are renting the facilities constructed by the Foundation. The percentage of revenue and receivables in excess of 10% is as follows:

	2020	2019
Revenue		
Rental Income	68%	65%
Contributions	20%	12%
Interest Income	10%	9%
State Capital Outlay Funding	0%	13%
Receivables		
Interest Receivable	100%	100%

5. Related Party Transactions

The Foundation was originally formed to support Thrive Baton Rouge (Thrive), a local area charter school. This purpose has remained consistent with the exception of the Foundation providing support services for Thrive Academy, the school as of July 2017. However, the Foundation and Thrive are actively engaged in multiple transactions in regards to leases, donor contributions, and reimbursements in their support of Thrive Academy. There were no balances due between the organizations as of the years ended June 30, 2020 and 2019, respectively.

THRIVE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

6. Debt

Mortgage Loan

In October of 2016 the Foundation converted a construction loan into a traditional mortgage, which is due in 48 monthly principal and interest payments of $43,648. The balance due as of June 30, 2020 and 2019 was $5,827,729 and $6,049,089, respectively.

Future maturities for the mortgage loan are as follows:

2021	236,088
2022	5,591,641
	$ 5,827,729

Promissory Note

The Foundation has a note with a local bank dated July 11, 2019 with an original balance of $100,000 due in 2 principal payments of $50,000 each in addition to monthly interest only payments beginning on August 11, 2019. This note bears interest at 5.25% . This note is collateralized by private grant awarded to the Foundation of $150,000. The balance due as of June 30, 2020 was $100,000.

Future maturities for this note are as follows:

2021	$	50,000
2022		50,000
	$	100,000

The Foundation has a note with a local bank dated August 28, 2017 with an original balance of $260,000 due in 59 monthly payments of $2,087. This note bears interest at 5.15% which is payable in regular monthly installments. This note is collateralized by the building owned by the Foundation. The balance due as of June 30, 2020 and 2019 was $225,105 and $237,992, respectively.

Future maturities for this note are as follows:

2021	$	13,608
2022		14,336
2023		197,161
	$	225,105

Line of Credit

The Foundation has an available line of credit of $100,000 with Iberia Bank. Interest on the line of credit is the Prime Rate, which was 3.25% as of June 30, 2020. There were no outstanding balances due as of June 30, 2020 and 2019, respectively.

Interest expense for the years ending June 30, 2020 and 2019 was $313,334 and $333,416, respectively.

7. New Market Tax Credit

On October 12, 2018 the Foundation entered into a New Market Tax Credit financing arrangement with Thrive and other financial institutions and investment firms for the purpose of constructing a new academic facility for Thrive Academy. Pursuant to the terms of detailed in the agreement, the Foundation is to act as the leveraged lender for Thrive. In fulfillment of this function the Foundation has recorded a corresponding note receivable and note payable in the amount of $5,539,200.

7. New Market Tax Credit (continued)

Additional details are as follows:

Note Payable:

Quarterly interest only payments at a fixed interest rate of 5.25% beginning January 10, 2019 will be made until January 10, 2020, at which time $99,791 principal and interest payments will be made quarterly at the same interest rate. A final balloon payment will be paid on October 12, 2025. The balance at June 30, 2020 and 2019 was $5,479,785 and $5,539,200, respectively.

Future maturities for this note are as follows:

2021	$	108,730
2022		114,604
2023		120,799
2024		126,592
2025		134,175
Thereafter		4,874,885
	$	5,479,785

Interest expense for the years ending June 30, 2020 and 2019 was $294,859 and $198,913, respectively.

Note Receivable

Quarterly interest only payments at a fixed interest rate of 3.8341% beginning January 10, 2019 will be received until October 12, 2025, a balloon principal payment will be received of $4,847,479. On January 10, 2026 principal and interest payments will be received quarterly through the maturity date of October 12, 2038. The balance at June 30, 2020 and 2019 was $5,539,200 and $5,539,200, respectively.

Interest income for the years ending June 30, 2020 and 2019 was $212,343 and $152,830, respectively.

Leverage Lender Support Payments

As per the terms of the arrangement the Foundation is also due quarterly support payments from Thrive Baton Rouge. The payments are to be made quarterly beginning in 2020. Support payments received for the year ended June 30, 2020 were $143,917.

The schedule of future support payments are as follows:

2021	$	208,393
2022		206,030
2023		200,986
2024		195,841
2025		190,593
	$	1,001,843

8. Rental Income

The Foundation rents its recently constructed facilities to Thrive Academy. The lease agreement is automatically renewable on an annual basis unless notification of termination is given by Thrive Academy at least sixty days prior to the expiration of the initial or renewal term. As a result of this arrangement, the Foundation earned rent of $1,438,267 and $1,125,434 in 2020 and 2019, respectively.

9. Reclassification

Certain amounts included in the prior year financial statements have been reclassified to conform to the current year presentation.

10. Liquidity and Availability of Financial Assets

The following reflects the School's financial assets as of the statement of financial position date within one year of the statement of financial position date.

Financial Assets at Year End:	2020	2019
Cash	$ 91,178	$ 37,338
Interest Receivable	53,095	53,130
Available Line of Credit	100,000	100,000
Financial Assets Available for General Expenditures	$ 244,273	$ 190,468

As part of the Foundation's liquidity management, there are cash balances kept in a checking account in addition to an available line of credit that can be accessed to meet daily needs of the organization in the event of an unanticipated liquidity need.

11. PPP Loan

The Foundation received additional federal funding in the form of forgivable SBA loan for the purpose of maintaining the Foundation's staffing during the Covid-19 Pandemic of 2020. This funding was issued as a loan with stipulations that the loan would be forgivable up to the full amount of the loan if the funds were used for particular expenditures. No interest or principal payments are required until February 2021, at which point interest of 1% per year will be assessed on the outstanding balance. No portion of this loan has been forgiven as of June 30, 2020. The balance due as of June 30, 2020 and 2019 was $51,700 and $0, respectively.

Future maturities for this note are as follows:

Fiscal Year 2021	$ 10,616
Fiscal Year 2022	25,556
Fiscal Year 2023	15,528
	$ 51,700

12. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through December 14, 2020, which is the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School's financial condition, liquidity, and future results of operations. Management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the responses to curb its spread, the School is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.