THRIVE SCHOLARS

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2023 AND 2022

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Thrive Scholars
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Thrive Scholars, which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Thrive Scholars as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended are in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Thrive Scholars and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change In Accounting Principle

As discussed in Note 2 to the financial statements, on September 1, 2022 the Foundation adopted new accounting guidance for leases ASC 842. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the financial statements for the year ended August 31, 2022 have been restated to correct certain misstatements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Board of Directors
Thrive Scholars

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 Thrive Scholars' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS 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 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 GAAS, 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 the Organization'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 the Organization'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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Quincy, Massachusetts
March 8, 2024

THRIVE SCHOLARS
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022

	2023	2022 (As Restated)
ASSETS		
Cash and Cash Equivalents	$ 2,441,861	$ 4,718,489
Investments	1,791,003	307,564
Promises to Give, Net of Discount	6,652,208	5,306,046
Other Receivables	229,701	-
Security Deposit	58,629	58,629
Prepaid Expenses	147,168	161,881
Property and Equipment, Net	106,141	134,767
Website, Net	42,500	59,500
Right-of-Use Asset, Net	1,034,428	-
Total Assets	$ 12,503,639	$ 10,746,876
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 631,870	$ 193,145
Accrued Expenses	1,171,088	2,020,728
Payroll Liabilities	154,508	231,388
Scholarships Payable	174,162	150,201
Right-of-Use Liability	1,049,154	-
Total Liabilities	3,180,782	2,595,462
NET ASSETS		
Without Donor Restrictions	1,790,649	533,905
With Donor Restrictions	7,532,208	7,617,509
Total Net Assets	9,322,857	8,151,414
Total Liabilities and Net Assets	$ 12,503,639	$ 10,746,876

See accompanying Notes to Financial Statements.

THRIVE SCHOLARS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and Contributions	$ 16,365,565	$ 4,822,996	$ 21,188,561
In-Kind Contributions	265,214	-	265,214
Net Realized and Unrealized Gain on Investments	14,703	-	14,703
Interest and Dividends	75,900	-	75,900
Net Assets Released from Restrictions	4,908,297	(4,908,297)	-
Total Support and Revenue	21,629,679	(85,301)	21,544,378
EXPENSES			
Program Services Expense	15,390,021	-	15,390,021
Management and General	1,690,751	-	1,690,751
Fundraising	3,292,163	-	3,292,163
Total Expenses	20,372,935	-	20,372,935
CHANGE IN NET ASSETS	1,256,744	(85,301)	1,171,443
Net Assets - Beginning of Year (Restated)	533,905	7,617,509	8,151,414
NET ASSETS - END OF YEAR	$ 1,790,649	$ 7,532,208	$ 9,322,857

See accompanying Notes to Financial Statements.

THRIVE SCHOLARS
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2022 (AS RESTATED)

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and Contributions	$ 6,962,536	$ 4,511,144	$ 11,473,680
In-Kind Contributions	347,933	-	347,933
Net Realized and Unrealized Loss on Investments	(14,024)	-	(14,024)
Interest and Dividends	19,359	-	19,359
Write Off of Promises to Give	-	(500,000)	(500,000)
Net Assets Released from Restrictions	3,074,818	(3,074,818)	-
Total Support and Revenue	10,390,622	936,326	11,326,948
EXPENSES			
Program Services Expense	11,591,894	-	11,591,894
Management and General	2,398,106	-	2,398,106
Fundraising	2,406,341	-	2,406,341
Total Expenses	16,396,341	-	16,396,341
CHANGE IN NET ASSETS	(6,005,719)	936,326	(5,069,393)
Net Assets - Beginning of Year	6,539,624	6,681,183	13,220,807
NET ASSETS - END OF YEAR	$ 533,905	$ 7,617,509	$ 8,151,414

See accompanying Notes to Financial Statements.

THRIVE SCHOLARS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	$ 6,529,438	$ 582,254	$ 1,601,512	$ 8,713,204
Student Lodging and Meals	2,178,894	-	-	2,178,894
Teachers	1,515,554	-	-	1,515,554
Professional Fees	388,554	37,919	928,504	1,354,977
Scholarships	1,087,009	-	-	1,087,009
Information Technology	854,886	36,558	30,776	922,220
Benefits	632,937	58,488	158,573	849,998
Payroll Taxes	439,993	67,651	107,503	615,147
Recruiter and Job Posting	-	607,703	-	607,703
Student Expenses	567,115	-	-	567,115
Occupancy	325,111	44,556	119,888	489,555
Travel and Parking	168,536	16,701	167,689	352,926
Student Transportation	302,284	-	-	302,284
Student Computers	302,007	-	-	302,007
Accounting and Financials	-	164,342	-	164,342
Event Expense	2,111	-	156,756	158,867
Office Expense	33,085	26,778	8,855	68,718
Depreciation and Amortization	28,327	20,882	10,446	59,655
Insurance	31,111	2,579	1,661	35,351
Payroll and Bank Fees	3,069	24,340	-	27,409
Total Expenses by Function	$ 15,390,021	$ 1,690,751	$ 3,292,163	$ 20,372,935

See accompanying Notes to Financial Statements.

THRIVE SCHOLARS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2022 (AS RESTATED)

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	$ 3,824,356	$ 1,011,565	$ 1,309,393	$ 6,145,314
Student Lodging and Meals	1,941,484	-	-	1,941,484
Professional Fees	238,597	602,635	587,198	1,428,430
Teachers	1,190,069	-	-	1,190,069
Student Expenses	990,485	-	-	990,485
Scholarships	881,497	-	-	881,497
Payroll Taxes	356,525	97,693	126,281	580,499
Benefits	349,225	97,486	125,502	572,213
Information Technology	432,164	11,997	29,795	473,956
Occupancy	320,275	45,114	95,559	460,948
Student Transportation	394,742	-	-	394,742
Recruiter and Job Posting	-	364,626	-	364,626
Student Computers	335,514	-	-	335,514
Travel and Parking	238,954	4,217	83,333	326,504
Accounting and Financials	-	110,640	-	110,640
Office Expense	40,729	6,407	16,306	63,442
Depreciation and Amortization	25,099	20,535	7,488	53,122
Payroll and Bank Fees	9,893	22,073	3,387	35,353
Insurance	22,138	3,118	6,605	31,861
Event Expense	148	-	15,494	15,642
Total Expenses by Function	$ 11,591,894	$ 2,398,106	$ 2,406,341	$ 16,396,341

See accompanying Notes to Financial Statements.

THRIVE SCHOLARS
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	2022 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,171,443	$ (5,069,393)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Donated Stock	-	(109,716)
Write Off of Promises to Give	-	500,000
Realized and Unrealized (Gain) Loss on Investments	(14,703)	14,024
Depreciation and Amortization	59,655	53,122
Noncash Lease Expense	14,726	-
Changes in Operating Assets and Liabilities:		
Promises to Give	(1,346,162)	(1,244,863)
Other Receivables	(229,701)	-
Security Deposit	-	5,296
Prepaid Expenses	14,713	(54,042)
Accounts Payable	438,725	(46,854)
Accrued Expenses	(849,640)	1,867,032
Payroll Liabilities	(76,880)	3,606
Scholarships Payable	23,961	(13,835)
Net Cash Used by Operating Activities	(793,863)	(4,095,623)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(1,468,736)	(112,318)
Proceeds from Sales of Investments	-	10,002
Purchases of Fixed Assets	(14,029)	(76,478)
Net Cash Used by Investing Activities	(1,482,765)	(178,794)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,276,628)	(4,274,417)
Cash and Cash Equivalents - Beginning of Year	4,718,489	8,992,906
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,441,861	$ 4,718,489

See accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION AND PROGRAMS

Organization

Thrive Scholars (the Organization) is a California nonprofit public benefit corporation. The mission of the Organization is to help high-achieving, low-income underrepresented students get into and graduate from top colleges equipped to achieve their full career potential. The Organization operates programs in Boston, Massachusetts; Los Angeles, California; Chicago Illinois, Cleveland, Ohio, and New York, New York.

The Organization's program spans six years, beginning in 11th grade and continuing through college graduation and early career, and consists of the following five pillars of support: Expert College Advising, Academic Preparation, Social, Emotional, and Academic Support, Financial Support, and Career Development.

Program

The Organization has developed a proven six-year-long program model that supports students starting in the 11th grade and extends through college graduation and early career. It focuses on five pillars of support that close the opportunity gap between the Organization's scholarship recipients and their more privileged peers, including:

Expert College Advising

The Organization's trained professional advisors help the Organization's scholarship recipients find "best fit" selective colleges and show case their qualifications for admittance.

Academic Preparation

The Organization provides two summers of a six-week residential academic boot camp called Summer Academy. Summer Academy 2023 will be hosted at Amherst college (rising high school seniors) and the University of Chicago (rising college freshmen). This experience offers 350+ hours of college-level instruction targeting math, writing, and critical thinking skills taught by college professors.

Social, Emotional, and Academic Support

The Organization offers scholarship recipients tailored one-on-one support throughout college through professional staff and volunteer mentors to ensure they are succeeding academically, socially, and emotionally while in college.

Financial Support

The Organization advises scholarship recipients toward no-loan colleges (which meet their full financial need), so they are often debt-free when they graduate. In addition, once enrolled, we offer bridge stipends to help them meet costs not covered by financial aid.

NOTE 1 ORGANIZATION AND PROGRAMS (CONTINUED)

Program (Continued)

Career Development

The Organization provides a four-year career development curriculum, including two years of intensive, personalized career coaching focusing on hard and soft skills, in addition to access to the Organization's professional network and internships and jobs at the Organization's corporate partners.

The Organization supports scholarship recipients in enrolling in top colleges, earning great grades, and graduating career-ready in less than six years. The Organization's scholarship recipients often enroll in Top 100 colleges and Ivy League+ schools (such as Stanford, MIT, the University of Chicago, and Duke) and graduate with favorable GPAs. The STEM scholarship recipients often graduate from these top colleges with STEM degrees.

The Organization attributes its success largely to the Organization's signature Summer Academy, a six-week academic program designed to demystify the college experience and expose first generation students to the rigors of college. Since its inception, the Organization's scholarship recipients have seen increased GPAs, STEM persistence, and graduation rates.

The Organization has embarked on a new five-year Strategic Plan to grow its impact. The plan is two-fold: First, to scale the signature Summer Academies, opening 10 regional Thrive Academies across the country over the next five years, serving at least 5,000 of the country's most ambitious and motivated students of color. Then, to open the Career Pathways program to these same students to ensure they are exposed to high trajectory careers, and develop the network and skills they need to thrive in them.

The Organization's operations are funded by foundation and corporate grants, and contributions from the general public.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Net assets of the Organization are classified into two categories. The classifications are related to the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and board of directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Net Assets With Donor Restrictions – Net assets whose use is limited by either donor-imposed time restrictions or purpose restrictions or net assets that must be maintained in perpetuity.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective September 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended August 31, 2023, are made under prior lease guidance in FASB ASC 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on September 1, 2022 an operating lease liability and right-of-use asset of $1,450,932, which represents the present value of the remaining operating lease payments of $1,594,610, discounted using risk free rate up 3.51%.

The standard had a material impact on the 2023 statement of financial position but did not have an impact on the 2023 statement of activities and changes in net assets, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates depending on risk and uncertainties. No significant estimates are noted as of August 31, 2023.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all cash and highly liquid investments with an original maturity of three months or less, except for those held for investment purposes, to be cash and cash equivalents.

Financial instruments that potentially subject the Organization to credit risk include cash and cash equivalents. Cash and cash equivalents on deposits with financial institutions may exceed federally insured amounts.

Grants and Contributions

Grants and contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Grants and contributions received in connection with a conditional promise to give are recorded as a refundable advance (a liability) until the donor conditions have been met or explicitly waived. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the grants and contributions are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled.

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are discounted to their net present value. The allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible.

In-Kind Donations

The Organization receives in-kind donations in support of its operations. Donated materials, facilities and services are recorded at fair value. Donated services that (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated are recorded as contributions in the financial statements at estimated fair value at the date of receipt. Donated services such as fundraising, clerical assistance or other volunteer efforts not requiring specialized skills are not recorded in the financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under Section 23701(d) of the California Franchise Tax Board.

Fair Value Measurements

The FASB established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs Quoted prices for identical assets or liabilities in active markets;

Level 2 – Inputs Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; or inputs other than quoted prices that are observable, such as models or other valuation methodologies;

Level 3 – Inputs Unobservable inputs for where there is little, if any, market activity.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on the trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains (losses) include the Organization's gains and losses on investments bought and sold as well as held during the year. Investment income is presented net of investment management and custodial fees.

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 on the statements of financial position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment and Depreciation

Property and equipment acquired by purchase are recorded at cost or if donated, fair value on the date of receipt. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions. Betterments and major renewals that extend useful lives of property and equipment are capitalized. Long-lived assets costing in excess of $1,000 individually are capitalized. Property and equipment are depreciated using the straight-line method over their estimated useful lives. The Organization established the following useful lives:

Leasehold Improvements	5 to 8 Years
Computers and Office Equipment	5 Years

Leases

The Organization leases office facilities. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use (ROU) assets, current operating lease liabilities, and long-term operating lease liabilities on the consolidating statements of financial position.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidating statements of financial position.

The Organization has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Organization uses rates implicit in the lease, or if not readily available, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Website Costs

Website costs are capitalized in accordance with GAAP and are being amortized over five years on a straight-line basis ending March 2026.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

- Salaries, payroll taxes, benefits, and payroll fees - allocated based on estimates of time and effort.
- Professional fees, information technology, travel and parking, office expense, amortization, and event expense – allocated based on direct identification.
- Occupancy, depreciation, and insurance - allocated based on square footage.

Subsequent Events

Management has evaluated subsequent events through March 8, 2024, the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements' presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE 3 PROMISES TO GIVE

Unconditional

At August 31, 2023 and 2022, the outstanding unconditional promises to give were due as follows:

	2023	2022 (As Restated)
Less Than One Year	$ 4,522,500	$ 2,796,833
One to Five Years	2,342,501	2,645,000
Total Unconditional Promises	6,865,001	5,441,833
Less: Discount to Net Present Value	(212,793)	(135,787)
Net Unconditional Promises to Give	$ 6,652,208	$ 5,306,046

At August 31, 2023 and 2022, there was no allowance for doubtful pledges.

Conditional

At August 31, 2023, the Organization had two conditional grants amounting to $7,250,000 contingent upon the Organization's performance against specific goals. These conditional promises to give will be recognized as revenue when the donor conditions are met.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2023 and 2022, consisted of the following:

	2023	2022
Computer Equipment	$ 120,587	$ 106,558
Leasehold Improvements	63,023	63,023
Office Equipment	49,035	49,035
Total	232,645	218,616
Less: Accumulated Depreciation	(126,504)	(83,849)
Property and Equipment, Net	$ 106,141	$ 134,767

Depreciation expense for the years ended August 31, 2023 and 2022 was $42,655 and $36,122, respectively.

NOTE 5 WEBSITE

Website costs at August 31, 2023 and 2022 were as follows:

	2023	2022
Website	$ 85,000	$ 85,000
Less: Accumulated Amortization	(42,500)	(25,500)
Website, Net	$ 42,500	$ 59,500

Amortization expense for the years ended August 31, 2023 and 2022 was $17,000 each year.

NOTE 6 FAIR VALUE MEASUREMENTS

The following is a description of the valuation methodologies used for assets measured at fair value:

Money Market, Mutual Funds, and Exchange Traded Products

Money market, mutual funds, and Exchange Traded Products are valued at the closing price reported in the active market in which funds are traded.

There were no changes in the methodologies used at August 31, 2023 and 2022. The methods described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Money Market, Mutual Funds, and Exchange Traded Products (Continued)

Fair values of investments at August 31, 2023 and 2022 and were as follows:

	Total	Level 1	Level 2	Level 3	Investments Measured at NAV
August 31, 2023					
Money Market Fund	$ 261,278	$ 261,278	$ -	$ -	$ -
Mutual Funds	1,518,627	1,518,627	-	-	-
Exchange Traded Products	11,098	11,098	-	-	-
Total	$ 1,791,003	$ 1,791,003	$ -	$ -	$ -
August 31, 2022					
Money Market Fund	$ 159,775	$ 159,775	$ -	$ -	$ -
Mutual Funds	147,789	147,789	-	-	-
Total	$ 307,564	$ 307,564	$ -	$ -	$ -

There were no transfers between levels of investments during the years ended August 31, 2023 and 2022.

NOTE 7 SCHOLARSHIP OBLIGATIONS

At August 31, 2023 and 2022, the Organization had conditional obligations to pay $3,499,775 and $2,159,850, respectively, in future scholarships based on multi-year conditional scholarship commitments made to its students. The awards will be recorded as scholarship expense in the financial statements when the conditions on which they depend are substantially met.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

At August 31, 2023 and 2022, net assets with donor restrictions were restricted for the following:

	2023	2022 (As Restated)
General Operations (Time Restricted)	$ 3,951,788	$ 1,023,843
Program Expansion	2,469,361	4,148,763
Scholarships	1,111,059	2,444,903
Total	$ 7,532,208	$ 7,617,509

NOTE 9 LEASES – ASC 842 AND SUBSEQUENT EVENT

The following table provides quantitative information concerning the Organization's leases.

	2023
Lease Costs:	
Operating Lease Costs	$ 459,817
Total Lease Costs	$ 459,817
Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	$ 445,091
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 1,455,058
Weighted-Average Remaining Lease Term - Operating Leases	5.1
Weighted-Average Discount Rate - Operating Leases	3.4%

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of August 31, 2023, is as follows:

Year Ending August 31,	Operating Leases
2024	$ 283,443
2025	169,227
2026	174,303
2027	179,532
2028	184,918
Thereafter	158,093
Total Lease Payments	1,149,516
Less: Interest	100,362
Present Value of Lease Liabilities	$ 1,049,154

In December 2023 the Foundation's commercial lease for their Los Angeles, California operations was modified resulting in what will be a $43,010 reduction to the related ROU asset and liability during the period ending August 31, 2024.

NOTE 10 OPERATING LEASE AGREEMENTS – ASC 840

The Foundation elected to apply the provisions of FASB ASC 842 to the beginning of period adoption with certain practical expedients available. Lease disclosures for the year ended August 31, 2022 are made under prior lease guidance in FASB ASC 840.

NOTE 10 OPERATING LEASE AGREEMENTS – ASC 840 (CONTINUED)

The Organization leases commercial spaces for their operations in Los Angeles, California and Boston, Massachusetts under leases expiring through May 2024 that require the payment of operating expenses and real estate taxes in addition to base rent. The Los Angeles lease includes one option to renew for a five year period. Rent expense for the year ended August 31, 2022 was $460,948.

Minimum lease payments due over the remaining terms of the noncancelable leases as of August 31, 2022 were as follows:

Year Ending August 31,	Operating Leases
2023	$ 446,453
2024	257,790
Total	$ 704,243

NOTE 11 RELATED PARTY TRANSACTIONS

Board members are actively involved in fundraising for the Organization. During the years ended August 31, 2023 and 2022, the Organization received $134,500 and $556,916, respectively, from board members and their affiliates that is reported under grants and contributions in the statements of activities.

NOTE 12 RETIREMENT PLAN

The Organization sponsors a 401(k) retirement plan (the Plan) for its employees. The Plan covers all employees who are at least age 21. The Organization may make discretionary matching contributions equal to 100% of the employee's elective deferral up to 3%. In addition, the Organization may also make nonelective contributions to the Plan. The Organization contributed $214,888 and $110,677, respectively, for the years ended August 31, 2023 and 2022.

NOTE 13 AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets available for general expenditures in the normal course of operations within one year at August 31:

	2023	2022 (As Restated)
Financial Assets at Year-End:		
Cash and Cash Equivalents	$ 2,441,861	$ 4,718,489
Other Receivables	229,701	-
Investments	1,791,003	307,564
Promises to Give, Net	6,652,208	5,306,046
Total Financial Assets	11,114,773	10,332,099
Less Amounts Not Available to be Used Within One Year:		
Net Assets With Donor Restrictions	(3,009,708)	(4,820,676)
Financial Assets Available to Meet General Expenditures Within One Year	$ 8,105,065	$ 5,511,423

The Organization manages liquidity by structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests excess cash in mutual funds and cash investments, which are readily available in the event needed.

NOTE 14 IN-KIND CONTRIBUTIONS

For the years ended August 31, 2023 and 2022, donated legal services totaled $21,464 and $30,574, respectively. For the years ended August 31, 2023 and 2022, donated consulting services totaled $243,750 and $317,359, respectively. Donated legal and consulting services were reflected in the financial statements as a part of the management and general function.

The above amounts have been recognized as income and expense on the accompanying financial statements and are reported at estimated fair value at the date of receipt based a standard hourly rate for the professionals' time.

NOTE 15 CONCENTRATIONS

Revenue and Support

For the year ended August 31, 2023 there was one individually significant donor representing 14% of grants and contributions. At August 31, 2022 outstanding promises from this donor represented 27% of the total promises to give. Two other donors made up another 26% of total promises to give.

For the year ended August 31, 2022 there were no individually significant donors. At August 31, 2022 outstanding promises from one donor represented 14% (as restated) of the total promises to give.

NOTE 16 EMPLOYER RETENTION CREDIT

In July 2023, the Organization applied for Employee Retention Credit (ERC) funding from the Internal Revenue Service (IRS). The Organization recognized $178,340 of grant income related to this credit during the year ended August 31, 2023. Revenue related to ERC funding is classified as grants and contributions support and revenue without donor restrictions on the statement of activities. At August 31, 2023 other receivables on the statement of financial position included a $178,340 receivable related to the ERC funding which as of March 8, 2024 had not been received.

The eligibility and usage of the ERC funding in compliance with the program is based on dollar thresholds and other factors. There is a possibility that upon subsequent review the IRS could reach a different conclusion regarding the Organization's ERC funding eligibility. This could result in nonpayment of the receivable or repayment of any amounts received including potential penalties and interest. The amount of liability, if any, from potential noncompliance cannot be determined with any certainty. However, management is of the opinion that any IRS review will not have a material adverse impact on the Organization's financial position.

NOTE 17 ADJUSTMENTS TO PRIOR PERIOD FINANCIAL STATEMENTS

During the current year, management determined that the financial statements for the period ended August 31, 2022 should be adjusted to remove $400,000 of promises to give and contributions and to increase net assets released from restrictions. Accordingly, the Organization restated its financial statements as of and for the year ended August 31, 2022 as follows:

	As Previously Reported	Adjustments	As Restated
Statement of Financial Position:			
Promises to Give	$ 5,706,046	$ (400,000)	$ 5,306,046
Without Donor Restrictions:			
Grants and Contributions	$ 7,362,536	$ (400,000)	$ 6,962,536
Released from Restrictions	2,674,818	400,000	3,074,818