

THRIVE BATON ROUGE
FINANCIAL STATEMENTS
FOR THE YEARS ENDING JUNE 30, 2018 AND 2017

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DAIGREPONT & BRIAN

A Professional Accounting Corporation

Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Thrive Baton Rouge
Baton Rouge, LA

We have reviewed the accompanying financial statements of Thrive Baton Rouge (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement, whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The 2018 supplementary information included in the Statement of Functional Expenses and Schedule of Compensation, Benefits and Other Payments to the Executive Director are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from, and related directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Report on 2017 Financial Statements and Supplementary Information

The 2017 financial statements were audited by other accountants, and they expressed an unmodified opinion on them in their report dated December 29, 2017. In addition, the 2017 supplementary information obtained in the Schedule of Functional Expenses was 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 and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Their report stated that the information was fairly stated in all material respects in relation to the financial statements as a whole. They have not performed any auditing procedures on either the financial statements or on the supplementary information since December 29, 2017.

Daigrepoint & Brian, APAC
Baton Rouge, LA

December 6, 2018

THRIVE BATON ROUGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash	\$ 48,308	\$ 31,344
State and federal receivables	14,156	111,393
Pledge receivables	93,400	197,598
Due from Thrive Foundation, a related organization	218,856	20,914
Prepaid expenses and other	9,930	26,077
Total Current Assets	<u>384,650</u>	<u>387,326</u>
Property and Equipment, Net	<u>373,412</u>	<u>492,091</u>
Total Assets	<u>\$ 758,062</u>	<u>\$ 879,417</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 17,739	\$ 98,591
Other accrued expenses	1,324	67,103
Line of credit	-	100,000
Due to Thrive Foundation, a related organization	296,717	50,000
Notes payable to Thrive Foundation, a related organization	-	150,000
Capital lease obligation, current portion	77,987	70,532
Total Current Liabilities	<u>393,767</u>	<u>536,226</u>
Total Liabilities		
Capital lease obligation, less current portion	<u>91,515</u>	<u>169,502</u>
Net Assets		
Unrestricted net assets	272,780	163,689
Temporarily restricted - music program	-	10,000
Total Net Assets	<u>272,780</u>	<u>173,689</u>
Total Liabilities and Net Assets	<u>\$ 758,062</u>	<u>\$ 879,417</u>

See accompanying notes and independent accountants' report.

THRIVE BATON ROUGE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDING JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018</u>
REVENUES			
Federal grants:			
Food service	\$ 362,890	\$ -	\$ 362,890
Other	75,325	-	75,325
Contributions:			
School	8	-	8
Residential	170,023	-	170,023
Net assets released from restriction	10,000	(10,000)	-
Total Revenues and Support	<u>618,246</u>	<u>(10,000)</u>	<u>608,246</u>
EXPENSES			
School activities:			
Instructional	30,370	-	30,370
Residential	128,808	-	128,808
Food service administration	343,042	-	343,042
General and administration	6,935	-	6,935
Total Expenses	<u>509,155</u>	<u>-</u>	<u>509,155</u>
CHANGE IN NET ASSETS	109,091	(10,000)	99,091
Net assets - beginning of year	163,689	10,000	173,689
Net assets - end of year	<u>\$ 272,780</u>	<u>\$ -</u>	<u>\$ 272,780</u>

See accompanying notes and independent accountants' report.

THRIVE BATON ROUGE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDING JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017</u>
REVENUES			
Grants:			
Minimum Foundation Program (MFP)	\$ 1,644,271	\$ -	\$ 1,644,271
State and local grants	652,318	-	652,318
Federal grants			
Food service	358,038	-	358,038
Other	33,289	-	33,289
Contributions:			
School	721,375	10,000	731,375
Residential	484,576	-	484,576
Total Revenues and Support	<u>3,893,867</u>	<u>10,000</u>	<u>3,903,867</u>
EXPENSES			
School activities:			
Instructional	1,711,940	-	1,711,940
Residential	1,328,545	-	1,328,545
Food service administration	341,129	-	341,129
General and administration	434,324	-	434,324
Total Expenses	<u>3,815,938</u>	<u>-</u>	<u>3,815,938</u>
CHANGE IN NET ASSETS	77,929	10,000	87,929
Net assets - beginning of year	85,760	-	85,760
Net assets - end of year	<u>\$ 163,689</u>	<u>\$ 10,000</u>	<u>\$ 173,689</u>

See accompanying notes and independent accountants' report.

THRIVE BATON ROUGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 99,091	\$ 87,929
<u>Adjustments to reconcile net revenues over expenses to net cash provided (used) by operating activities:</u>		
Depreciation	124,442	98,205
(Increase) decrease in receivables and prepaid expenses	217,582	(263,062)
(Decrease) increase in accounts payable and accrued expenses	<u>(146,631)</u>	<u>(1,569)</u>
Net cash provided (used) by operating activities	<u>294,484</u>	<u>(78,497)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for property and equipment	<u>(5,763)</u>	<u>(114,795)</u>
Net cash used in investing activities	<u>(5,763)</u>	<u>(114,795)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	35,000	530,000
Increase in due from Thrive Foundation	(197,942)	-
Principal payments on line of credit	(135,000)	(467,000)
Payments on capital lease obligations	(70,532)	(95,734)
Increase (decrease) in notes payable	(150,000)	150,000
Increase in due to Thrive Foundation	<u>246,717</u>	<u>50,000</u>
Net cash provided (used) by financing activities	<u>(271,757)</u>	<u>167,266</u>
INCREASE (DECREASE) IN CASH	16,964	(26,026)
CASH, BEGINNING OF YEAR	<u>31,344</u>	<u>57,370</u>
CASH, END OF YEAR	<u>\$ 48,308</u>	<u>\$ 31,344</u>
Supplemental disclosure of noncash investing and financing activities:		
Assets acquired through capital lease obligation	<u>\$ -</u>	<u>\$ 335,768</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 27,759</u>	<u>\$ 22,846</u>

See accompanying notes and independent accountants' report.

**THRIVE BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 & 2017**

1. Summary of Significant Accounting Policies

(a) Organization

Thrive Baton Rouge (Thrive) was incorporated on March 1, 2011 as a non-profit organization under the laws of the State of Louisiana. Thrive operated under a Type 1 charter approved by the Louisiana Board of Elementary and Secondary Education (BESE) that expired June 30, 2017 and has since ceased operations as a charter school. Thrive now serves as a school food authority (SFA) for a number of charter school's within it's district.

(b) Basis of Accounting

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

(c) Revenues

Thrive receives the majority of its revenue from the National School Lunch Program (NSLP). The funds are passed through the Louisiana Department of Education and operate on a reimbursement of funds already spent basis. The amount of revenue received each year is dependent upon the number of meals provided to students and the reimbursement rate per meal type that is set annually by the NSLP.

Additional revenue is received in the form of philanthropic donations generated by Thrive Baton Rouge's continual campaign efforts. Thrive intends to increase its capital campaign efforts during the upcoming fiscal year.

(d) Net Assets

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board's (FASB) Accounting Standard Codification (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, Thrive is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are for general use with no restrictions.

Temporarily Restricted Net Assets

Temporarily restricted net assets can be expended currently, but only for a specified purpose designated by the grantor. There are temporarily restricted net assets of \$0 and \$10,000 as of June 30, 2018 and 2017, respectfully.

Permanently Restricted Net Assets

Net assets permanently restricted for future use by the grantor or the board of directors. There are no permanently restricted net assets as of June 30, 2018 or 2017.

**THRIVE BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 & 2017**

1. Summary of Significant Accounting Policies (continued)

(e) Cash

Cash consists of bank deposits held with financial institutions and cash on hand.

(f) Accounts and Grants Receivable

Management has determined that there were no balances recorded that were uncollectible as of June 30, 2018 and 2017.

(g) Income Taxes

Thrive 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.

Thrive is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Thrive files information returns in the U.S. federal jurisdiction and in various other states. Thrive is no longer subject to federal information return examinations by tax authorities for years before 2014.

(h) Use of Estimates

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

(i) Subsequent Events

In preparing these financial statements, Thrive has evaluated events and transactions for potential recognition or disclosure through the date of the independent accountants' report, which is the date the financial statements were available to be issued.

2. Concentrations

Financial instruments, which potentially subject Thrive to concentration of credit risk, consist of cash accounts held with a bank. This balance may, at times, exceed FDIC insured limits of \$250,000. Management believes this risk is minimal.

Thrive receives the majority of its operating revenue from the State of Louisiana in the form of NSLP funding. Thrive also receives grants from private entities. The percentage of revenue and receivables from these sources in excess of 10% is as follows:

	Revenue	Receivables
2018		
Federal and State grants	60%	13%
Contributions from private entities	28%	87%
Lease payments from Thrive Foundation	12%	N/A

**THRIVE BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 & 2017**

2. Concentrations (continued)

	Revenue	Receivables
2017		
Minimum Foundation Program	43%	30%
Federal and State grants	30%	54%
Contributions from private entities	28%	16%

3. Capital Leases

During 2017, Thrive entered into capital leases to fund security equipment and dormitory furniture and fixtures. The security equipment lease is \$139, 823 (\$91,352 at June 30, 2018), bears interest at 6.75% and is due in monthly payments of \$2,999 through June 2021. The total furniture and fixtures lease is \$195,945 (\$78,150 at June 30, 2018), bears interest at 6.75%, and is due in monthly payments of \$4,676 through December 2019. All debt is collateralized by the assets purchased. Future maturities of these lease obligations are as follows:

Year	Capital Leases
2019	\$ 77,987
2020	57,619
2021	33,896
	<u>\$ 169,502</u>

4. Property and Equipment

Property and equipment is presented in the financial statements on the basis of cost less allowances for depreciation. Property and equipment, related service lives, and accumulated depreciation at June 30, 2018 we as follows:

	Estimated Service Lives	2018
Equipment	3	\$ 335,376
Furniture and fixtures	5	266,113
Software	3	9,837
Software in development	-	85,000
		<u>696,326</u>
Less accumulated depreciation		<u>(322,914)</u>
Property and equipment, net		<u>\$ 373,412</u>

Depreciation expense for the year ended June 30, 2018 and 2017 was \$124,442 and \$98,205, respectively.

**THRIVE BATON ROUGE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 & 2017**

5. Commitments and Contingencies

Thrive receives grants for specific purposes that are subject to audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. It is the opinion of Thrive's management that its compliance with the terms of the grants will not result in any disallowed costs.

6. Related Party

Thrive Foundation (the Foundation), a 501(c)(3) entity, was established in October 2013 to support Thrive when it operated as a Type 1 charter school. The Foundation's purpose has remained consistent with the exception of the Foundation providing support services for Thrive Academy, the school as of July 2017. Thrive and the Foundation engage in multiple transactions in regards to leases, donor contributions, and reimbursed expenses.

Transactions between Thrive and the Foundation during 2018 are as follows:

Expenses paid by Thrive on behalf of the Foundation	\$ 180,722
Capital lease payments made by Thrive on behalf of the Foundation	51,134
Fixed asset payments made by Thrive on behalf of the Foundation	75,000
Contributions made to the Foundation to be remitted to Thrive	2,700
Less: amounts remitted from the Foundation to Thrive	<u>(111,614)</u>
Due from Thrive Foundation, a related organization	<u>\$ 197,942</u>
Expense paid by the Foundation on behalf of Thrive	\$ 5,077
Fixed asset payments reimbursed by the Foundation	77,442
Contributions made to Thrive to be remitted to the Foundation	169,198
Less: amounts remitted from Thrive to the Foundation	<u>(5,000)</u>
Due to Thrive Foundation, a related organization	<u>\$ 246,717</u>

7. Subsequent Event

Thrive will cease operating as an SFA during the fiscal year ending June 30, 2019. Thrive will continue to support the school, Thrive Academy, through continued capital contribution campaigns and is also in the process of securing financing to construct facilities that Thrive Academy will lease from Thrive Baton Rouge.

**THRIVE BATON ROUGE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDING JUNE 30, 2018**

	Function				Total
	Instructional	Residential	Food Service Admin.	General and Admin.	
Salaries, wages, and benefits	\$ -	\$ -	\$ -	\$ 1,404	\$ 1,404
Rent and utilities	463	1,275	-	-	1,738
Student meals	-	-	343,042	-	343,042
Materials and supplies	-	-	-	297	297
Consultants	-	-	-	5,234	5,234
Depreciation	22,465	101,977	-	-	124,442
Interest	2,281	25,478	-	-	27,759
Repairs and maintenance	-	78	-	-	78
Recruiting	2,600	-	-	-	2,600
Other	2,561	-	-	-	2,561
	<u>\$ 30,370</u>	<u>\$ 128,808</u>	<u>\$ 343,042</u>	<u>\$ 6,935</u>	<u>\$ 509,155</u>

See accompanying notes and independent accountants' report.

**THRIVE BATON ROUGE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDING JUNE 30, 2017**

	Function				Total
	Instructional	Residential	Food Service Admin.	General and Admin.	
Salaries, wages, and benefits	\$ 1,152,410	\$ 856,451	\$ -	\$ 245,307	\$ 2,254,168
Rent and utilities	151,071	295,558	-	-	446,629
Student meals	791	-	341,129	-	341,920
Materials and supplies	153,274	32,087	-	15,547	200,908
Consultants	7,103	20,000	-	162,860	189,963
Insurance	95,440	3,272	-	1,870	100,582
Depreciation	23,685	74,520	-	-	98,205
Student transportation	51,210	-	-	-	51,210
EBRPSS administrative fee	30,895	-	-	-	30,895
Interest	4,554	18,292	-	-	22,846
Development	19,276	1,293	-	-	20,569
Security	6,701	7,830	-	-	14,531
Repairs and maintenance	5,520	6,559	-	-	12,079
Cell Phones	1,587	5,742	-	-	7,329
Recruiting	240	160	-	-	400
Other	8,183	6,781	-	8,740	23,704
	<u>\$ 1,711,940</u>	<u>\$ 1,328,545</u>	<u>\$ 341,129</u>	<u>\$ 434,324</u>	<u>\$ 3,815,938</u>

See accompanying notes and independent accountants' report.

**THRIVE BATON ROUGE
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO THE EXECUTIVE DIRECTOR
FOR THE YEAR ENDED JUNE 30, 2018**

For the fiscal year ended June 30, 2018, there was no compensation, benefits, or reimbursements provided to the Executive Director.