

THRIVE, INC.

**Financial Statements
For the Year Ended
December 31, 2019
(With Independent Accountant's Compilation Report)**

**3rd Creek Accounting
Dave B. Straley, CPA
PO Box 5406
Incline Village, NV 89450**

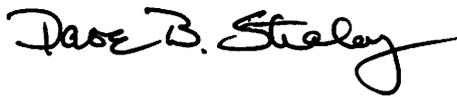
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To the Board of Trustees
Thrive, Inc.
Ketchum, Idaho

Managements is responsible for the accompanying financial statements of Thrive, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

We are not independent with respect to Thrive, Inc.

A handwritten signature in black ink that reads "Dave B. Straley". The signature is written in a cursive style with a large, sweeping flourish at the end.

3rd Creek Accounting
Dave B Straley, CPA
Incline Village, NV
July 22, 2020

THRIVE, INC.
Statement of Financial Position
Year Ended December 31, 2019

CURRENT ASSETS

Cash and cash equivalents	\$ 841,261
Accrued Interest	377
Grants Receivable - Short Term	885,740
Total Current Assets	<u>1,727,377</u>

OTHER ASSETS

Grants Receivable - Long Term	3,467,395
Other Long Term Assets	80,189
Total Other Assets	<u>3,547,584</u>
TOTAL ASSETS	<u><u>\$ 5,274,961</u></u>

CURRENT LIABILITIES

Accounts Payable	\$ 2,633
Accrued Liabilities	18,701
Total Current Liabilities	<u>21,335</u>
Total Liabilities	<u>21,335</u>

NET ASSETS

Without donor restriction	724,046
With donor restriction	4,529,580
Total Net Assets	<u>5,253,627</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 5,274,961</u></u>

The accompanying notes are an integral part of these financial statements.

THRIVE, INC.
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
Public Support, Revenues, and			
Individual donations	\$ 24,501	\$ 4,130,622	\$ 4,155,123
Foundation donations	80,692	63,500	144,192
Investment income		10,594	10,594
	<hr/>	<hr/>	<hr/>
Total public support and revenues	105,193	4,204,716	4,309,909
	<hr/>	<hr/>	<hr/>
Expenses			
Program Services			
Small business support	528,666		528,666
Supporting Services			
Salaries and payroll tax	279,883		279,883
Employee benefits	48,859		48,859
Bank service charges	422		422
Professional services	1,200		1,200
Office expense	7,825		7,825
Promotional	972		972
Travel and meetings	2,160		2,160
	<hr/>	<hr/>	<hr/>
Total expenses	869,987	-	869,987
	<hr/>	<hr/>	<hr/>
Changes in net assets	(764,794)	4,204,716	3,439,922
Net assets as of beginning of year	393,815	1,419,889	1,813,705
Net assets as of end of year	<u>\$ (370,979)</u>	<u>\$ 5,624,605</u>	<u>\$ 5,253,627</u>

The accompanying notes are an integral part of these financial statements.

THRIVE, INC.
Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Program</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>2019 Total</u>
Small Business Services	\$ 470,629	\$ 57,156	\$ 881	\$ 528,666
Salaries, Wages, Payroll Tax	135,033	57,924	86,927	279,883
Bank Service Charge	-	422	-	422
Professional Services	-	1,200	-	1,200
Employee benefits	11,296	30,168	7,396	48,859
Office Expense	654	7,009	161	7,825
Insurance	-	-	-	-
Promotional	-	972	-	972
Travel and Meetings	644	1,172	344	2,160
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 618,256</u>	<u>\$ 156,022</u>	<u>\$ 95,709</u>	<u>\$ 869,987</u>

The accompanying notes are an integral part of these financial statements.

THRIVE, INC
Statement of Cash Flows
Year Ended December 31, 2019

OPERATING ACTIVITIES

Increase (decrease) in Net Assets	\$ 3,439,922
Adjustments to reconcile decrease in net assets to cash provided	
Decrease (increase) in Accrued Interest	56
Decrease (increase) in Grants Receivable	(3,106,388)
Increase (decrease) in Employee Withholding	(162)
Increase (decrease) in Employee Benefit Payable	(3,844)
Increase (decrease) in Payroll Tax Liability	(98)
Increase (decrease) in Credit Card Balance	970
Net cash provided by Operating Activities	<u>330,457</u>

INVESTING ACTIVITIES

Amounts loaned on Notes Receivable	(30,000)
Amounts collected on Notes Receivable	14,845
Net cash provided by Investing Activities	<u>(15,155)</u>

FINANCING ACTIVITIES

There were no financing activities	
Net cash provided by Financing Activities	<u>-</u>
Net cash increase (decrease) for period	315,302
Cash at beginning of period	525,959
Cash at end of period	<u><u>\$ 841,261</u></u>

The accompanying notes are an integral part of these financial statements.

Note A – Summary of Significant Accounting Policies

Nature of Organization

Thrive, Inc., a nonprofit organization, is a tax-exempt, private operating foundation that makes pay it forward loans to entrepreneurs who repay the loans by donating an equivalent value of job training and in kind goods to other community members in need.

The concept for Thrive, Inc. originated in the 1990s in Russia, when Arthur Schultz, founder of the Arthur B. Schultz Foundation, sought ways to help small businesses grow after the fall of the Soviet Union. To empower and encourage entrepreneurial ventures while meeting the social needs of Russians in their struggling new democracy, he came up with an innovative idea whereby he would provide interest-free financing for modern production equipment needed by a small business, but the financing had to be repaid by the business donating an equivalent value of in-kind products, services, or job training to beneficiaries of local charities in their communities. The concept turned out to be “pay-it-forward” financing, rather than traditional loan repayment in cash to the original lender, the Arthur B. Schultz Foundation.

The Arthur B. Schultz Foundation operated this program as the Small Microenterprise Initiative (SMI) until 2010, when it launched Thrive, Inc. as an independent operating foundation. Thrive has maintained the original pay-it-forward concept with financing (known as “ThriveCapital”) and technical support to fledgling small business entrepreneurs in developing countries. This approach to small enterprise development is unique in that ThriveCapital (direct loans by Thrive to entrepreneurs) not only promotes small business expansion and creates new permanent jobs, but helps develop a sense of philanthropy among the majority of Thrive businesses, with most extending their giving well beyond the original loan repayment, transforming themselves from individuals in need to entrepreneurs whose gifts fortify their communities from within.

Thrive maximizes a donation’s impact by maintaining strong partnerships with established organizations on the ground in the targeted communities. As of December 31, 2019, Thrive has been responsible for ThriveCapital financing reaching entrepreneurs in six programs and five countries including Vietnam, , Nicaragua, Guatemala and Cambodia.

Thrive, Inc. is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state taxes.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Note A – Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the classes of net assets be displayed in the Statements of Financial Position and that the amounts of change in each of those classes of net assets be displayed in the Statements of Activities.

In accordance with U.S. generally accepted accounting principles (U.S. GAAP), Thrive reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restriction – net assets available for general use to support operations. The only limits on the use of net assets without donor restriction are broad limits resulting from the nature of Thrive, the environment in which it operates, and the purposes specified in its corporate documents.

Net assets with donor restriction – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or programmatic purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resource be maintained in perpetuity.

Use of Estimates

The Organization uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers its short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Fair Value

The Organization uses fair value for reporting financial assets and liabilities. A hierarchy for reporting the reliability of input measurements is used to assess fair value for all assets and liabilities. Fair Value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy established prioritizes fair value measurements based on the types of inputs used in the valuation technique. Certain financial instruments are carried at cost on the statements of financial position, which approximates fair value due to their short term, highly liquid nature.

Note A – Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received, including unconditional promises to give, if any, are reported at their net realizable values. Gifts of cash and other assets are reported as with donor restriction if they are received with donor stipulations that limit their use or if they are intended to support activities in future periods.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted 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.

Unconditional promises to give are recorded when pledged. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. At December 31, 2019, management has determined that no allowance was necessary.

Promises to Give

Unconditional promises to give are recorded when pledged. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. At December 31, 2019, management has determined that no allowance was necessary.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Note A – Summary of Significant Accounting Policies (Continued)

Advertising

The Organization expenses advertising as costs are incurred. Total advertising expense was \$15,087 for the year ended December 31, 2019.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash. Accounts at these financial institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000 and the Securities Investor Protection Corporation for up to \$500,000. There were no uninsured balances at December 31, 2019.

Income Taxes

The Organization is a private foundation that is exempt from income taxes under Internal Revenue Code Section 501(c)(3), and comparable state law. It is subject to a 2 percent (1 percent if certain requirements are met) on net investment income, including realized gains, as defined by IRC. For the year ended December 31, 2019, the Organization incurred an estimate of \$106 in excise taxes.

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2018.

The Organization files Form 990 PF in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2014.

Reclassifications

Certain amounts at December 31, 2018 have been reclassified to conform to the current year presentation. These reclassification did not have any effect on net assets for the year ended December 31, 2019.

Note A – Summary of Significant Accounting Policies (Continued)

Subsequent Events

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty. However, subsequent to December 31, 2019, the investment and credit markets have experienced significant volatility. Management has given a three month extension on loan payments and has not seen yet seen any defaults or missed payment.

In 2020, Thriive Inc. filed a request with the IRS to change their name from “Thriive Inc”, to “SK2 Fund”. On April, 8th 2020, the IRS approved the change.

Note B – Concentrations

During the years ended December 31, 2019 Thriive received \$4,353,135 from Arthur B. Schultz, and The Kwok Foundation, in contribution revenue. The funding represented 94%, respectively of Thriive’s total revenue. Loss of funding from these sources could significantly impact the Organization’s operations.

Note C – Foreign Operations

Thriive Inc. operates its programs in Cambodia, Nicaragua, Guatemala, and Vietnam. It manages its foreign programs with fixed price contracts with local entities in each of the program countries. Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange. The functional currency for its foreign operations is the US dollar. Costs related to these contracts are also settled in US dollars.

Because the contracts are fixed in US dollar prices, Thriive foreign currency translation in accordance with GAAP is not deemed necessary.

Note D – Related Party Transactions

The Organization regularly receives contributions and pledges from Arthur B. Schultz who is related to one of the key employees. For the years ended December 31, 2019, the Organization received \$4,340,000 in pledges and contributions. At December 31, 2019 \$4,200,000 is included in unconditional promises to give.

Note E – Unconditional Promises To Give

At December 31, unconditional promises to give are as follows:

Receivable in less than one year	\$ 900,000
Receivable in one to five years	<u>3,700,000</u>
Total unconditional promises to give	4,600,000
Less discount to net present value	<u>(246,865)</u>
Net unconditional promises to give	4,353,135
Less current unconditional promises to give	<u>(885,740)</u>
Long-term unconditional promises to give	<u>\$ 3,467,395</u>

At December 31, 2019, discounts on the anticipated cash flows on long-term unconditional promises to give were recorded at the Applicable Federal Short-Term Rate, 1.61% and the Applicable Federal Long-Term Rate, 1.69%. The pledges are restricted for use in future periods.

For the year ended December 31, 2019, the Organization recognized \$246,865 in income related to the amortization of the discount.

Note F – Note Receivable

This Compilation is being reissued to correct the amortization schedule for the interest rates and principal repayment amounts. The original report listed the interest in this disclosure note for the two new PRI's at 19.8% and 12.6% which have been changed to 3.5% and 3.5%. Since this did not have any impact on the issued financial statements, no emphasis-of-matter statement is being added to the report. The change in this disclosure statement and the reissuance of the report is being made on August 11th, 2020.

The Organization makes program-related investments (PRIs) to small businesses. PRIs are strategic investments made by the Organization for the specific objective of furthering the Organization's charitable purpose. These investments are comprised of primarily loans outstanding bearing a below-market foreign interest rate. The production of income is not the primary driver of a PRI. For the fiscal year ended December 31, 2019, the Organization entered into two new PRI's under the same investee with the continuation of PRI made in 2018 and 2017. Program related investments at December 31, 2019 include \$15,000, \$15,000, \$50,000 and \$25,000 respectively, made to small business organizations at an annual interest rate of 3.5%, 3.5%, 3.5%, and 5%, due 2021, 2021, 2025, and 2020 respectively. The notes are unsecured. The balance receivable at December 31, 2019 was \$15,000, \$15,000, \$43,584 and \$6,605.

Note F – Note Receivable (Continued)

Future expected collection for the first new PRI is as follows as of December 31, 2019:

2020	\$	8,063
2021		<u>6,937</u>
Total	\$	<u>15,000</u>

Future expected collection for the second new PRI is as follows as of December 31, 2019:

2020	\$	8,063
2021		<u>6,937</u>
Total	\$	<u>15,000</u>

Future expected collection for the 2018 PRI is as follows as of December 31, 2019:

2020	\$	8,342
2021		6,941
2022		7,188
2023		7,444
2024		7,708
2025		<u>5,961</u>
Total	\$	<u>43,584</u>

Future expected collection for the 2017 PRI is as follows as of December 31, 2019:

2020	\$	<u>6,605</u>
Total	\$	<u>6,605</u>

Note G – Temporarily Restricted Net Assets

At December 31, temporarily restricted net assets consisted of the following:

Description	<u>2019</u>
Program	\$ 372
TiiF	176,073
Time restrictions on pledges receivable	<u>4,353,135</u>
	<u>\$ 4,529,580</u>

Note H – Retirement Plans

During 2019, the Organization continued sponsoring a SEP IRA plan that covers all eligible employees. Eligibility is based on attaining the age of 21 years and completing at least one year of employment. The Organization makes contributions on behalf of the employee of 5% of eligible compensation. The Organization's contributions for 2019 were \$12,885.

Note I – Independence

We are not independent with respect to Thrive, Inc. as of and for the year ended December 31, 2019 because we do their bookkeeping and tax return.