

THE GRANT CARDONE FOUNDATION INC.

FINANCIAL STATEMENTS – INCOME TAX BASIS

As of and for the Year Ended December 31, 2021

And Report of Independent Auditor

THE GRANT CARDONE FOUNDATION INC.
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Report of Independent Auditor

To the Board of Directors
The Grant Cardone Foundation Inc.
Miami, Florida

Opinion

We have audited the accompanying financial statements of The Grant Cardone Foundation Inc. (a nonprofit Foundation) (the “Foundation”), which comprise the statement of assets, liabilities, and net assets – income tax basis as of December 31, 2021, and the related statements of revenues, expenses, and changes in net assets – income tax basis, functional expenses – income tax basis, and cash flows – income tax basis for the year 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 the Foundation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with the basis of accounting the Foundation uses for income tax purposes as described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting that the Foundation uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 the income tax basis of accounting described in Note 2; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor’s 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 auditor’s 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Foundation'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 Foundation'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.

Cherry Bekaert LLP

Coral Gables, Florida
November 14, 2022

THE GRANT CARDONE FOUNDATION INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS – INCOME TAX BASIS

DECEMBER 31, 2021

ASSETS

Cash and cash equivalents	\$	2,923,425
Due from related party		406,847
Other current assets		2,754
Investment		2,144,390
Total Assets	\$	5,477,416

NET ASSETS

Without donor restrictions	\$	5,477,416
Total Net Assets	\$	5,477,416

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

THE GRANT CARDONE FOUNDATION INC.**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – INCOME TAX BASIS***YEAR ENDED DECEMBER 31, 2021*

	Without Donor Restrictions
Support and Revenues:	
Contributions, including in-kind contributions of \$2,157,351	\$ 3,361,258
Revenues	110,572
Special event revenues	830,000
Total Support and Revenues	<u>4,301,830</u>
Expenses:	
Program Services:	
Donations	265,452
Supporting Services:	
Fundraising	103,775
Management and general	190,022
Total Expenses	<u>559,249</u>
Change in net assets	3,742,581
Net assets, beginning of year	<u>1,734,835</u>
Net assets, end of year	<u>\$ 5,477,416</u>

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

THE GRANT CARDONE FOUNDATION INC.
STATEMENT OF FUNCTIONAL EXPENSES – INCOME TAX BASIS

YEAR ENDED DECEMBER 31, 2021

	Program Services	Supporting Services		Total Expenses	
	Donations	Management and General	Fundraising		Total Supporting Services Expense
Donations made	\$ 265,452	\$ -	\$ -	\$ -	\$ 265,452
Payroll	-	147,822	-	147,822	147,822
Event expenses	-	-	89,095	89,095	89,095
Merchant fees	-	20,900	-	20,900	20,900
Auction expenses	-	-	14,680	14,680	14,680
Professional fees	-	9,104	-	9,104	9,104
Office supplies	-	7,306	-	7,306	7,306
Business expenses	-	3,501	-	3,501	3,501
Marketing	-	1,389	-	1,389	1,389
	<u>\$ 265,452</u>	<u>\$ 190,022</u>	<u>\$ 103,775</u>	<u>\$ 293,797</u>	<u>\$ 559,249</u>

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

THE GRANT CARDONE FOUNDATION INC.
STATEMENT OF CASH FLOWS – INCOME TAX BASIS

YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities:

Change in net assets	\$ 3,742,581
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
In-kind donations	(2,157,351)
Changes in operating assets:	
Due from related party	(147,892)
Other current assets	<u>(2,773)</u>
Net cash flows from operating activities	<u>1,434,565</u>
Net change in cash	1,434,565
Cash, beginning of year	<u>1,488,860</u>
Cash, end of year	<u><u>\$ 2,923,425</u></u>

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

THE GRANT CARDONE FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1—Nature of activities

The Grant Cardone Foundation Inc. (the “Foundation”) was chartered in October 2017 as a nonprofit corporation in the state of Florida. The Foundation was organized to provide mentoring and financial literacy education to adolescents in underserved and at-risk populations, particularly those without a father figure.

Note 2—Significant accounting policies

Basis of Accounting – The accompanying financial statements present the financial position and changes in net assets on the basis of accounting the Foundation uses for federal income tax reporting. The main differences between the income tax basis of accounting and principles generally accepted in the United States of America (“U.S. GAAP”) are as follows:

Recognition of Revenue Methodology – Under U.S. GAAP, revenue from exchange transactions is recognized in accordance with Financial Accounting Standards Board Accounting Standards Codification 606 – *Revenue from Contracts with Customers*. Under the income tax basis of accounting, such revenues are recognized upon the receipt of cash.

Expense Recognition – Under U.S. GAAP, expenses are recognized as incurred. Under the income tax basis of accounting, expenses are recognized when paid.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation, and changes therein, are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Foundation.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. There were no net assets with donor restrictions at December 31, 2021.

All contributions are considered to be available for use unless specifically restricted by a donor.

Use of Estimates – The presentation of the financial statements on the income tax basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Liquidity – Assets are presented in the accompanying statement of assets, liabilities, and net assets – income tax basis according to their nearness of conversion to cash.

Cash and Cash Equivalents – The Foundation considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents.

Investment – The Foundation accounts for its investment using the equity method of accounting (see Note 3).

Functional Allocation of Expenses – The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Foundation. Those expenses include donations made, event expenses, auction expenses, office supplies, payroll, professional fees, merchant fees, business expenses, and marketing, which are allocated by specific identification.

THE GRANT CARDONE FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 2—Significant accounting policies (continued)

Income Taxes – The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). Accordingly, no provision for income taxes has been made. Management believes the Foundation continues to satisfy the requirements of a tax-exempt Foundation at December 31, 2021.

Note 3—Investment

During the year ended December 31, 2021, the Foundation received a donation from a related party representing a 99% preferred interest in Arlin Holdings, LLC (“Arlin”). The Foundation accounts for its investment in Arlin using the equity method of accounting, as the preferred membership units do not carry any voting rights and therefore a controlling financial interest is not present. Under the equity method of accounting, the investment is recorded at cost plus or minus the Foundation’s share of Arlin’s net income or loss, respectively, minus any distributions received. During the year ended December 31, 2021, the Foundation did not record any profit or loss from this investment.

Selected information from the balance sheet and results of operations of Arlin as of and for the year ended December 31, 2021 is as follows:

Condensed balance sheet information:

Total assets	\$ 2,166,000
Members' capital	\$ 2,166,000

Condensed income statement information:

Total expenses	\$ 5,000
Net loss	\$ (5,000)

Note 4—Liquidity and availability of financial resources

The Foundation’s management monitors its liquidity so that it can cover operating expenses and other costs related to program services. The Foundation relies on revenue from its operations, including donations and special fundraising events, in order to cover these costs. Support and revenues totaled approximately \$4,302,000 during the year ended December 31, 2021. The Foundation maintains substantial cash on hand, which is available to meet the requisite needs for general expenditures as needed.

Financial assets available to meet cash needs for general expenditures within one year are as follows:

Cash and cash equivalents	\$ 2,923,425
Due from related party	406,847
Financial assets available to support general expenditures for the coming year	\$ 3,330,272

THE GRANT CARDONE FOUNDATION INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 5—In-kind contributions

In-kind contributions consisted of the following for the year ended December 31, 2021:

Investment in Arlin Holdings, LLC	\$ 2,144,390
Artwork and other	12,961
	<hr/>
	<u>\$ 2,157,351</u>

Note 6—Related party transaction

Due from Related Party – The Foundation has a balance due from a related party totaling approximately \$407,000 at December 31, 2021 related to cash received on behalf of the Foundation by the related party organization. The balance is non-interest bearing and is expected to be repaid in the normal course of operations.

Contributions – During the year ended December 31, 2021, the Foundation received a donation representing a 99% interest in Arlin totaling approximately \$2,144,000 (see Note 3). The investment was donated by an individual within management of both the Foundation and Arlin.

Note 7—Concentrations

Cash – The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. As of December 31, 2021, the Foundation has cash balances of \$2,616,000 that exceeded these insured amounts.

Contributions – Contributions from a related party accounted for approximately 64% of total contributions for the year ended December 31, 2021 (see Note 6).

Revenues – Revenues from two special events accounted for approximately 65% of total revenues for the year ended December 31, 2021.

Note 8—Subsequent events

Management has evaluated subsequent events through November 14, 2022, the date which the income tax basis financial statements were available to be issued. The Foundation is not aware of any events that have occurred subsequent to the statement of assets, liabilities, and net assets – income tax basis date that would require adjustment to, or disclosure in, the income tax basis financial statements.