

**RYSE, INC.**

---

**REPORT ON AUDIT OF FINANCIAL STATEMENTS**

---

**For the Year Ended June 30, 2018**

**(With Comparative Totals for 2017)**

## CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT . . . . .	1
FINANCIAL STATEMENTS	
Statement of financial position . . . . .	2
Statement of activities. . . . .	3
Statement of functional expenses . . . . .	4
Statement of cash flows . . . . .	5
Notes to financial statements . . . . .	.6 – 12

# CLARIDAD & CROWE

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
RYSE, Inc.  
Richmond, California

### *Report on the Financial Statements*

We have audited the accompanying financial statements of RYSE, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RYSE, Inc. as of June, 30, 2018 and the results of its changes in net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

### *Report on Summarized Comparative Information*

We have previously audited RYSE, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated May 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

  
CERTIFIED PUBLIC ACCOUNTANTS  
Mill Valley, California

March 8, 2019

**RYSE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2018**  
**(With Comparative Totals as of June 30, 2017)**

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,786,470	\$ 1,334,816
Grants and contracts receivable	625,979	1,447,422
Prepaid expenses	16,159	12,082
Property and equipment, net	<u>509,311</u>	<u>236,316</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,937,919</u></b>	<b><u>\$ 3,030,636</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ 66,628	\$ 92,217
Deferred revenue		6,355
Vacation payable	<u>67,447</u>	<u>52,406</u>
<b>TOTAL LIABILITIES</b>	<b>134,075</b>	<b>150,978</b>
<b>NET ASSETS</b>		
Unrestricted	1,643,626	1,336,198
Temporarily restricted	<u>1,160,218</u>	<u>1,543,460</u>
<b>TOTAL NET ASSETS</b>	<b><u>2,803,844</u></b>	<b><u>2,879,658</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,937,919</u></b>	<b><u>\$ 3,030,636</u></b>

See notes to financial statements.

**RYSE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for 2017)**

	<u>2018</u>	<u>2017</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
Revenue and Support		
Foundation grants	\$ 520,614	\$ 503,019
Government contracts	1,275,032	1,365,638
Contributions	60,090	60,387
Program service fees	34,445	53,285
Other income	<u>51,179</u>	<u>28,738</u>
Total unrestricted revenues and support	1,941,360	2,011,067
Net assets released from restrictions		
Satisfaction of program restrictions	<u>1,046,249</u>	<u>754,470</u>
Total revenues and support	2,987,609	2,765,537
Expenses		
Program services	2,398,711	2,217,428
Supporting services		
Management and general	78,229	78,343
Fund-raising	<u>203,241</u>	<u>192,903</u>
	<u>281,470</u>	<u>271,246</u>
Total expenses	<u>2,680,181</u>	<u>2,488,674</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<u>307,428</u>	<u>276,863</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Foundation grants	663,007	1,120,379
Satisfaction of program restrictions	<u>(1,046,249)</u>	<u>(754,470)</u>
<b>(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>(383,242)</u>	<u>365,909</u>
<b>(DECREASE) INCREASE IN NET ASSETS</b>	(75,814)	642,772
NET ASSETS, beginning of year	<u>2,879,658</u>	<u>2,236,886</u>
NET ASSETS, end of year	<u>\$ 2,803,844</u>	<u>\$ 2,879,658</u>

See notes to financial statements.

**RYSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for 2017)**

	<u>2018</u>				<u>2017</u>
	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>	
	<u>Services</u>	<u>Management</u>	<u>Fund</u>		
		<u>and General</u>	<u>Raising</u>		
Salaries	\$ 1,418,067	\$ 46,639	\$ 138,961	\$ 1,603,667	\$ 1,426,119
Employee benefits	357,757	10,315	28,985	397,057	329,615
Occupancy - other	44,311	2,252	3,896	50,459	49,056
Subcontractors	78,586		100	78,686	131,741
Consultants	145,943	2,965	6,567	155,475	126,795
Stipends	43,940		30	43,970	32,572
Office expenses	30,254	2,457	6,263	38,974	25,373
Other program expenses	174,593	4,115	4,954	183,662	226,825
Depreciation	42,203	1,736	985	44,924	45,095
Other expenses	<u>63,057</u>	<u>7,750</u>	<u>12,500</u>	<u>83,307</u>	<u>95,483</u>
	<u>\$ 2,398,711</u>	<u>\$ 78,229</u>	<u>\$ 203,241</u>	<u>\$ 2,680,181</u>	<u>\$ 2,488,674</u>

See notes to financial statements.

**RYSE, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for 2017)**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (75,814)	\$ 642,772
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,924	45,095
Government grants restricted for property purchase	(200,000)	
(Increase) decrease in:		
Grants and contracts receivable	821,443	(686,214)
Prepaid expenses	(4,077)	(7,476)
Increase (decrease) in:		
Accounts payable	(25,589)	39,079
Deferred revenue	(6,355)	4,855
Vacation payable	<u>15,041</u>	<u>(2,185)</u>
Total adjustments	<u>645,387</u>	<u>(606,846)</u>
Net cash provided by operating activities	<u>569,573</u>	<u>35,926</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash payments for purchase of equipment and building improvements	<u>(117,919)</u>	<u>(61,653)</u>
Net cash used by investing activities	<u>(117,919)</u>	<u>(61,653)</u>
Net increase in cash and cash equivalents	451,654	(25,727)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,334,816</u>	<u>1,360,543</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,786,470</u>	<u>\$ 1,334,816</u>

See notes to financial statements.

**RYSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for 2017)**

NOTE A – General and Summary of Significant Accounting Policies

Background and General

RYSE, Inc. (RYSE)(the Organization), emerged out of the needs articulated by local youth organizers after the tragic killing of four high school students in December, 2000. The deaths galvanized youth and adult allies to address the root causes of violence in and around their communities. In 2002, Youth Together, a community based leadership development and educational justice organization, organized a forum to acknowledge the experiences and insights of young people in the community. In the following months, Youth Together conducted a community-wide survey to gather information about resources needed in the community.

In late 2005, almost three years after the survey was published and after dozens of presentations to public officials and agencies on the identified need for such space, Contra Costa County Supervisor John Gioia identified a 6,600 square foot vacant county building in Richmond near a major bus line and County Health Center. In partnership with city, county, school district, community and youth partners, Supervisor Gioia and Youth Together spearheaded a three year effort to plan and secure resources for the building's conversion into a comprehensive youth center. RYSE's facilities are located within the center. (See Note J)

RYSE became a fiscally sponsored project under Youth Together on September 15, 2006. RYSE was incorporated in California in July, 2007 and granted its tax exemption in February, 2008. As of October 1, 2008, RYSE (the Organization) commenced operations as an independent entity and is no longer a fiscal sponsored project of Youth Together.

RYSE supports the healthy development of young people through a holistic approach that engages young people in programs and services grounded in principles of youth leadership and social justice. RYSE contributes to the health and economic vitality of youth and the communities they live in by reducing violence, increasing youth participation and leadership in civic activities, improving physical and mental health, increasing educational attainment and expanding career options for Richmond and West Contra Costa youth.

RYSE's integrative program model allows young people to engage in services and programs and through multiple points of entry. We do this by meeting and welcoming young people wherever they are in their lives, continually assessing their interests and priorities, and developing and adjusting programs and services so that we are relevant and responsive to our constituents. In addition to serving as a drop-in space, RYSE offers the following structured programs: intensive case management, and direct health services and linkages; education and career advancement courses and supports; leadership, advocacy, and civic engagement; health education workshops and wellness programs including cooking, gardening and dance; and media, arts, and culture programming including visual, video, music and performing arts.



**RYSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for 2017)**

NOTE A – General and Summary of Significant Accounting Policies (Continued)

Income Tax Status

The Organization is tax exempt as an organization under section 501(c)(3) of the Internal Revenue Code and similar statutes of the State of California.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Property and Equipment

Furniture and equipment are recorded at cost and depreciated using the accelerated methods over the estimated useful life (5 to 7 years) of the assets. The Organization's policy is to capitalize furniture and equipment purchases greater than \$1,000. Leasehold improvements are amortized over 15 years. Building and building improvements will be depreciated over 40 years.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Basis of Accounting and Reporting Accounting Method

The Organization maintains its accounting records on the accrual basis.

Support and Revenue Recognition

Support and revenue are recognized when the donor or grantee makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**RYSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for 2017)**

NOTE A – General and Summary of Significant Accounting Policies (Continued)

Grants and Contracts Receivable

Grants receivable consist primarily of amounts due from Contra Costa County and other government agencies under contractual agreements. Payments on multi-year grants which extend into future years are also recorded as receivables. The Organization believes that all receivables will be fully collected within their contracted time frames. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectable, they are charged to expense in the period in which that determination is made.

Functional 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 support services benefitted based on management's estimates.

Estimates

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

Description of Net Assets:

Unrestricted

Support is provided to the Organization from grants, individuals, foundations, corporations and earned income.

Temporarily restricted

The Organization reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor imposed restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Financial Instruments

The Organization's financial instruments consist of cash, grants receivables and accounts and vacation payable. It is management's opinion that the Organization is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise noted, the fair values of these financial instruments are the market values of these financial instruments and approximate their carrying values.

**RYSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for 2017)**

NOTE A – General and Summary of Significant Accounting Policies (Continued)

Inkind Contribution

The value of the donated facilities, if any, is recorded at the estimated fair market value determined by the donor in the period in which the facilities are provided. Donated furniture and equipment, when received, is reflected in the accompanying statements as in-kind donations at their estimated fair market values at date of receipt.

NOTE B – Concentration of Credit Risk

The Organization maintains cash balances at one financial institution. Accounts which are insured by the Federal Deposit Insurance Corporation up to \$250,000 exceeded this limitation at June 30, 2018 and 2017 by \$1,542,292 and \$901,157, respectively.

NOTE C – Grants and Contracts Receivable

Grants and contracts receivable at June 30 consist of the following:

	<u>2018</u>	<u>2017</u>
Contracts receivable	\$ 537,268	\$ 516,648
Grants receivable	85,695	882,044
Pledges and other receivables	<u>3,016</u>	<u>48,730</u>
	<u>\$ 625,979</u>	<u>\$ 1,447,422</u>

NOTE D – Furniture and Equipment

Furniture and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 68,000	\$ 18,000
Building	150,000	
Equipment and furniture	268,258	255,547
Building improvements	339,200	233,992
Less accumulated depreciation	<u>(316,147)</u>	<u>(271,223)</u>
	<u>\$509,311</u>	<u>\$236,316</u>

Also see Note J.

**RYSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for 2017)**

NOTE E – Contingencies

Grant awards require the fulfillment of certain conditions as set forth in the instruments of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization considers this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. Management is of the opinion that the Organization has complied with the terms of all grants.

Also see Note J.

NOTE F – Retirement Plan

The Organization provides retirement benefits to eligible employees, by discretionary contributions to a Savings Incentive Match Plan for Employees of Small Employers retirement plan (SIMPLE). The amount contributed by the Organization to the plan for the years ended June 30, 2018 and 2017 was \$29,836 and \$28,522, respectively.

NOTE G – Economic Dependence

The Organization receives a significant portion of its total revenues and support (43% and 49% for the years ended June 30, 2018 and 2017, respectively) from government contracts. Reductions in this support could have a significant impact on the Organization's operations.

NOTE H – Line of Credit

The Organization is subject to a revolving line of credit agreement with a bank, which renews annually. The terms of the agreement allow the Organization to borrow up to \$100,000, with interest at prime plus 6.75% (12% at June 30, 2018). During the years ended June 30, 2018 and 2017, no amounts were borrowed under this agreement.

**RYSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for 2017)**

NOTE I – Temporarily Restricted Net Assets

At June 30, temporarily restricted net assets were available for the following purposes:

<u>Source</u>	<u>Purpose</u>	<u>2018</u>	<u>2017</u>
The ELMA Music Foundation	Media, Arts and Culture	\$	\$ 90,000
Kaiser Foundation Health Plan, Inc.	Health and Wellness	30,000	
The San Francisco Foundation	General Operations and RYSE Commons	36,667	119,790
The San Francisco Foundation	Various programs	25,397	
The William & Flora Hewlett Foundation	Media, Arts and Culture	18,750	68,750
The William & Flora Hewlett Foundation	RYSE Commons	125,221	
W. Clement & Jessie V. Stone Foundation	General Operations	50,000	
The California Endowment	Health and Wellness	117,427	233,990
The California Endowment	General Operations	247,357	458,333
The California Endowment	RYSE Commons	130,874	
John Muir Health	Health and Wellness	20,000	60,000
East Bay Community Foundation	General Operations	37,027	30,476
Funders Collaborative on Youth Organizing	Health and Wellness	47,332	80,429
Thomas J. Long Foundation	Capacity Building		194,445
New Venture Fund	Education and Career	4,167	54,167
Sierra Health Foundation	Youth Justice	1,761	86,268
Chorus Foundation	Youth Organizing		35,000
Contra Costa County – Community Development Block Grant	Property purchase	175,000	
Various Donors	Various programs	<u>93,238</u>	<u>31,812</u>
		<u>\$1,160,218</u>	<u>\$1,543,460</u>

**RYSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**  
**(With Comparative Totals for 2017)**

NOTE J – Lease Commitment and Real Property Acquisition Grant

Effective July 1, 2014, the Organization executed an extended lease agreement with the County of Contra Costa (CCC) for its facilities located at 205 – 41<sup>st</sup> Street in Richmond, California for the period July 1, 2014 through June 30, 2019. During the extended lease term, minimum lease payments under the non-cancelable operating lease was \$10,800 annually through the year ended June 30, 2019 for a total lease commitment of \$21,600 as of June 30, 2017.

In June, 2018, the Organization executed a Purchase and Sale Agreement with Contra Costa County. Under terms of the Agreement, the Organization acquired the real property and adjacent parcels on which RYSE facilities are located (including property leased referenced above) for \$200,000 using a subgrant from CCC's Community Development Block Grant (CDBG) and a \$25,000 grant from CCC's Livable Communities Trust Fund.

In conjunction with the Purchase and Sale Agreement, a Project Agreement between CCC and the Organization was also executed. Provisions of this Agreement included the following:

- The Organization use the CDBG funds granted for the purchase of the real property currently leased for its youth community center.
- The Organization continues to operate its facility to serve low income youth for at least 5 years. CCC's contribution of CDBG funds will be amortized (earned) over the 5 year period. If the facility ceases to operate within that timeframe, the CDBG funds must be returned to CCC at a pro-rated amount.

Also see Note D.

NOTE K – Evaluation of Subsequent Events

The Organization has evaluated subsequent events through March 8, 2019, the date which the financial statements were available to be issued.