

RYSE, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

(With Comparative Totals for 2014)

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CLARIDAD & CROWE

INDEPENDENT AUDITOR'S REPORT

Board of Directors
RYSE, Inc.
San Francisco, 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, 2015, 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.

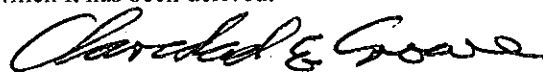
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 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 2014 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 4, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent in all material respects, with the audited financial statements from which it has been derived.


CERTIFIED PUBLIC ACCOUNTANTS
Mill Valley, California

October 2, 2015

RYSE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2015
(With Comparative Totals as of June 30, 2014)

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 961,486	\$ 858,244
Grants and contracts receivable	1,191,154	718,620
Prepaid expenses	23,216	7,448
Furniture and equipment, net	<u>245,378</u>	<u>247,665</u>
TOTAL ASSETS	<u>\$ 2,421,234</u>	<u>\$ 1,831,977</u>
LIABILITIES		
Accounts payable	\$ 9,864	\$ 41,082
Vacation payable	<u>54,706</u>	<u>40,781</u>
TOTAL LIABILITIES	64,570	81,863
NET ASSETS		
Unrestricted	831,753	791,167
Temporarily restricted	<u>1,524,911</u>	<u>958,947</u>
TOTAL NET ASSETS	<u>2,356,664</u>	<u>1,750,114</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,421,234</u>	<u>\$ 1,831,977</u>

See notes to financial statements.

RYSE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and Support		
Foundation grants	\$ 319,171	\$ 462,074
Government contracts	750,128	763,820
Contributions	33,223	65,918
Program service fees	1,000	63,399
Inkind contributions		195,600
Other income	<u>9,525</u>	<u>2,161</u>
Total unrestricted revenues and support	1,113,047	1,552,972
Net assets released from restrictions		
Satisfaction of program restrictions	<u>662,422</u>	<u>460,392</u>
Total revenues and support	1,775,469	2,013,364
Expenses		
Program services	1,574,984	1,672,808
Supporting services		
Management and general	85,491	97,893
Fund-raising	<u>125,121</u>	<u>131,624</u>
	<u>210,612</u>	<u>229,517</u>
Total expenses	<u>1,785,596</u>	<u>1,902,325</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	<u>(10,127)</u>	<u>111,039</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Foundation grants	1,279,099	658,053
Satisfaction of program restrictions	<u>(662,422)</u>	<u>(460,392)</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>616,677</u>	<u>197,661</u>
INCREASE IN NET ASSETS	606,550	308,700
NET ASSETS, beginning of year	<u>1,750,114</u>	<u>1,441,414</u>
NET ASSETS, end of year	<u>\$ 2,356,664</u>	<u>\$ 1,750,114</u>

See notes to financial statements.

RYSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	<u>2015</u>				
	<u>Program</u>	<u>Supporting Services</u>		<u>Total</u>	<u>2014</u>
	<u>Services</u>	<u>Management</u>	<u>Fund</u>		<u>Total</u>
		<u>and General</u>	<u>Raising</u>		
Salaries	\$ 990,330	\$ 59,129	\$ 87,762	\$ 1,137,221	\$ 1,033,350
Employee benefits	205,593	12,788	18,033	236,414	207,075
Occupancy - inkind					195,600
Occupancy - other	30,953	1,418	2,338	34,709	26,870
Subcontractors	71,861			71,861	84,867
Consultants	24,449	1,104	1,847	27,400	21,107
Stipends	35,775			35,775	74,897
Office expenses	13,745	617	788	15,150	16,332
Other program expenses	123,938	890	1,488	126,316	142,819
Depreciation	42,353	7,349	279	49,981	47,757
Other expenses	<u>35,987</u>	<u>2,196</u>	<u>12,586</u>	<u>50,769</u>	<u>51,651</u>
	<u>\$ 1,574,984</u>	<u>\$ 85,491</u>	<u>\$ 125,121</u>	<u>\$ 1,785,596</u>	<u>\$ 1,902,325</u>

See notes to financial statements.

RYSE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 606,550	\$ 308,700
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	49,981	47,757
Inkind donation - equipment		
(Increase) decrease in:		
Grants and contracts receivable	(472,534)	(96,808)
Prepaid expenses	(15,768)	(5,855)
Increase (decrease) in:		
Accounts payable	(31,218)	10,884
Vacation payable	<u>13,925</u>	<u>15,218</u>
Total adjustments	<u>(455,614)</u>	<u>(28,804)</u>
Net cash provided by operating activities	<u>150,936</u>	<u>279,896</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for purchase of equipment and leasehold improvements	<u>(47,694)</u>	<u>(39,001)</u>
Net cash used by investing activities	<u>(47,694)</u>	<u>(39,001)</u>
Net increase in cash and cash equivalents	103,242	240,895
CASH AND CASH EQUIVALENTS, beginning of year	<u>858,244</u>	<u>617,349</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 961,486</u>	<u>\$ 858,244</u>

See notes to financial statements.

RYSE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

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, 2015
(With Comparative Totals for 2014)

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.

Furniture, Equipment and Leasehold Improvements

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 \$500. Leasehold improvements are amortized over 15 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, 2015
(With Comparative Totals for 2014)

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

Grants and Contracts Receivable

Grants receivable consist primarily of amounts due from Contra Costa Health Services and other nonprofit organizations under contractual agreements. The Organization believes that all receivables will be fully collected within one year. Accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, 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 and foundations.

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, 2014
(With Comparative Totals for 2013)

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, 2015 and 2014 by \$779,439 and \$625,458, respectively.

NOTE C – Grants and Contracts Receivable

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

	<u>2015</u>	<u>2014</u>
The California Endowment	\$ 383,000	\$ 133,000
Sutter East Bay Hospitals	73,382	125,530
The William & Flora Hewlett Foundation	25,000	25,000
Dean & Margaret Leshner Foundation	30,000	30,000
John Muir Health	40,000	30,000
Kaiser East Bay Community Benefit Group		20,000
The Horner Foundation		15,000
The San Francisco Foundation		20,000
Thomas J. Long Foundation	465,000	50,000
National Endowment for the Arts		12,500
Contra Costa CSBG		17,000
Contra Costa Mental Health Services	20,000	116,434
Contra Costa Health Services	81,355	107,892
Contra Costa CDBG	106,481	3,750
Other	<u>21,936</u>	<u>12,514</u>
	<u>\$1,191,154</u>	<u>\$ 718,620</u>

RYSE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

NOTE D – Furniture and Equipment

Furniture and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Equipment and furniture	\$192,519	\$157,100
Building improvements	233,992	221,357
Less accumulated depreciation	<u>(180,773)</u>	<u>(130,792)</u>
	<u>\$245,378</u>	<u>\$247,665</u>

NOTE E – Grant 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.

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, 2015 and 2014 was \$10,535 and \$8,792, respectively.

NOTE G – Economic Dependence

The Organization receives a significant portion of its total revenues and support (42% and 38% for the years ended June 30, 2015 and 2014, respectively) from government contracts with Contra Costa County. Reductions in this support could have a significant impact on the Organization's operations.

RYSE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

NOTE H – Temporarily Restricted Net Assets

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

<u>Source</u>	<u>Purpose</u>	<u>2015</u>	<u>2014</u>
ELMA Music Foundation	MAC Program	\$	\$ 37,500
Stephen Bechtel Fund	Youth Leadership		25,425
The San Francisco Foundation	Education and Career Programs		16,667
The William & Flora Hewlett Foundation	MAC Program	10,417	35,417
The California Endowment	Youth Advocacy and Leadership		136,665
The California Endowment	Health and Wellness	127,170	260,170
The California Endowment	MAC Program	47,006	159,821
The California Endowment	Administration	447,917	
Dean & Margaret Leshner Foundation	Administration		30,000
John Muir Health	Health and Wellness	60,000	15,000
Kaiser East Bay Community Benefit	Health and Wellness	45,035	30,000
Kaiser Northern CA Community Benefit	Health and Wellness		20,000
Various foundations	Health and Wellness	6,433	19,250
Sutter East Bay Hospitals	Health and Wellness	49,970	111,310
Thomas J. Long Foundation	Administration	661,111	40,000
Richmond Arts & Culture Commission	MAC Program	2,500	1,375
East Bay Community Funds	Various programs	55,686	
Morris Stulsaft Foundation	Education and Career Programs	8,333	
Various Donors	RAW Talent Program	3,333	20,347
		<u>\$1,524,911</u>	<u>\$ 958,947</u>

RYSE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2015
(With Comparative Totals for 2014)

NOTE I – 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% (10% at June 30, 2015). During the years ended June 30, 2015 and 2014, no amounts were borrowed under this agreement.

NOTE J – In-kind Donation and Lease Commitment

Under terms of a lease agreement with the County of Contra Costa for its facilities located at 205 – 41st Street in Richmond, California, the Organization pays \$1 per month as rent over the initial term of July 1, 2009 through June 30, 2014. Contra Costa County determined that the fair market rent for the facilities was \$195,600, which is included as in-kind contribution with corresponding occupancy expense in the statement of activities for the year ended June 30, 2014.

Effective July 1, 2014, the lease was extended from July 1, 2014 through June 30, 2019. During the extended lease term, minimum lease payments under the non-cancelable operating lease will be \$10,800 annually through the year ended June 30, 2019 for a total lease commitment of \$43,200 as of June 30, 2015.

NOTE K – Evaluation of Subsequent Events

The Organization has evaluated subsequent events through October 2, 2015, the date which the financial statements were available to be issued.