

RYSE, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

(With Comparative Totals for 2015)

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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, 2016, 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.

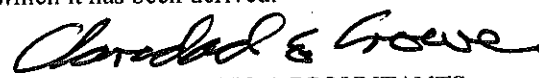
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2016 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 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 2, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent in all material respects, with the audited financial statements from which it has been derived.


CERTIFIED PUBLIC ACCOUNTANTS
Mill Valley, California

March 6, 2017

RYSE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2016
(With Comparative Totals as of June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,360,543	\$ 961,486
Grants and contracts receivable	761,208	1,191,154
Prepaid expenses	4,606	23,216
Furniture and equipment, net	<u>219,758</u>	<u>245,378</u>
TOTAL ASSETS	<u>\$ 2,346,115</u>	<u>\$ 2,421,234</u>
LIABILITIES		
Accounts payable	\$ 17,594	\$ 9,864
Deferred revenue	1,500	
Vacation payable	<u>54,591</u>	<u>54,706</u>
TOTAL LIABILITIES	73,685	64,570
NET ASSETS		
Unrestricted	1,094,879	831,753
Temporarily restricted	<u>1,177,551</u>	<u>1,524,911</u>
TOTAL NET ASSETS	<u>2,272,430</u>	<u>2,356,664</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,346,115</u>	<u>\$ 2,421,234</u>

See notes to financial statements.

RYSE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
CHANGES IN UNRESTRICTED NET ASSETS		
Revenue and Support		
Foundation grants	\$ 657,710	\$ 319,171
Government contracts	974,181	750,128
Contributions	93,455	33,223
Program service fees		1,000
Other income	<u>10,672</u>	<u>9,525</u>
Total unrestricted revenues and support	1,736,018	1,113,047
Net assets released from restrictions		
Satisfaction of program restrictions	<u>868,621</u>	<u>713,135</u>
Total revenues and support	2,604,639	1,826,182
Expenses		
Program services	2,097,721	1,574,984
Supporting services		
Management and general	64,164	85,491
Fund-raising	<u>179,629</u>	<u>125,121</u>
	<u>243,793</u>	<u>210,612</u>
Total expenses	<u>2,341,514</u>	<u>1,785,596</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>263,125</u>	<u>40,586</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Foundation grants	521,262	1,279,099
Satisfaction of program restrictions	<u>(868,621)</u>	<u>(713,135)</u>
(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(347,359)</u>	<u>565,964</u>
(DECREASE) INCREASE IN NET ASSETS	(84,234)	606,550
NET ASSETS, beginning of year	<u>2,356,664</u>	<u>1,750,114</u>
NET ASSETS, end of year	<u>\$ 2,272,430</u>	<u>\$ 2,356,664</u>

See notes to financial statements.

RYSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	<u>2016</u>				
	<u>Program</u>	<u>Supporting Services</u>			
	<u>Services</u>	<u>Management</u>	<u>Fund</u>	<u>Total</u>	<u>2015</u>
		<u>and General</u>	<u>Raising</u>		<u>Total</u>
Salaries	\$ 1,191,001	\$ 39,252	\$ 126,974	\$ 1,357,227	\$ 1,137,221
Employee benefits	261,412	9,887	23,381	294,680	236,414
Occupancy - other	40,697	1,680	4,157	46,534	34,709
Subcontractors	197,363			197,363	71,861
Consultants	28,049	1,134	2,865	32,048	27,400
Stipends	27,958			27,958	35,775
Office expenses	21,444	736	2,062	24,242	15,150
Other program expenses	236,813	5,813	6,093	248,719	126,316
Depreciation	41,699	3,175	481	45,355	49,981
Other expenses	<u>51,285</u>	<u>2,487</u>	<u>13,616</u>	<u>67,388</u>	<u>50,769</u>
	<u>\$ 2,097,721</u>	<u>\$ 64,164</u>	<u>\$ 179,629</u>	<u>\$ 2,341,514</u>	<u>\$ 1,785,596</u>

See notes to financial statements.

RYSE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (84,234)	\$ 606,550
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,355	49,981
Inkind donation - equipment		
(Increase) decrease in:		
Grants and contracts receivable	429,946	(472,534)
Prepaid expenses	18,610	(15,768)
Increase (decrease) in:		
Accounts payable	7,730	(31,218)
Deferred revenue	1,500	
Vacation payable	<u>(115)</u>	<u>13,925</u>
Total adjustments	<u>503,026</u>	<u>(455,614)</u>
Net cash provided by operating activities	<u>418,792</u>	<u>150,936</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for purchase of equipment and leasehold improvements	<u>(19,735)</u>	<u>(47,694)</u>
Net cash used by investing activities	<u>(19,735)</u>	<u>(47,694)</u>
Net increase in cash and cash equivalents	399,057	103,242
CASH AND CASH EQUIVALENTS, beginning of year	<u>961,486</u>	<u>858,244</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,360,543</u>	<u>\$ 961,486</u>

See notes to financial statements.

RYSE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

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, 2016
(With Comparative Totals for 2015)

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, 2016
(With Comparative Totals for 2015)

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, 2016
(With Comparative Totals for 2015)

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, 2016 and 2015 by \$1,151,186 and \$779,439, respectively.

NOTE C – Grants and Contracts Receivable

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

	<u>2016</u>	<u>2015</u>
The California Endowment	\$ 50,000	\$ 383,000
Sutter East Bay Hospitals	14,079	73,382
The William & Flora Hewlett Foundation	100,000	
John Muir Health		40,000
The ELMA Music Foundation	190,000	
Thomas J. Long Foundation	230,000	465,000
Cal OES	24,426	
City of Richmond – CalGRIP	20,375	
Contra Costa Mental Health Services	44,072	20,000
Contra Costa Health Services	76,376	81,355
Contra Costa CDBG		106,481
Other	<u>11,739</u>	<u>21,936</u>
	<u>\$ 761,067</u>	<u>\$1,191,154</u>

RYSE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

NOTE D – Furniture and Equipment

Furniture and equipment consist of the following:

	<u>2016</u>	<u>2015</u>
Equipment and furniture	\$211,894	\$192,519
Building improvements	233,992	233,992
Less accumulated depreciation	<u>(226,128)</u>	<u>(180,773)</u>
	<u>\$219,758</u>	<u>\$245,378</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, 2016 and 2015 was \$24,087 and \$10,535, respectively.

NOTE G – Economic Dependence

The Organization receives a significant portion of its total revenues and support (41% and 42% for the years ended June 30, 2016 and 2015, 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, 2016
(With Comparative Totals for 2015)

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>2016</u>	<u>2015</u>
The ELMA Music Foundation	MAC Program	\$ 190,000	\$
The California Wellness Foundation	Health and Wellness	70,000	
The San Francisco Foundation	Education and Career Programs	13,333	
The William & Flora Hewlett Foundation	MAC Program	100,000	10,417
The California Endowment	Youth Justice	20,000	
The California Endowment	Health and Wellness	100,000	127,170
The California Endowment	MAC Program	13,179	47,006
The California Endowment	Administration	197,917	447,917
Irene S. Scully Family Foundation	Education and Career Programs	10,000	
John Muir Health	Health and Wellness	20,000	60,000
Kaiser East Bay Community Benefit	Health and Wellness		45,035
Kaiser Northern CA Community Benefit	Health and Wellness		
Various foundations	Health and Wellness		6,433
Sutter East Bay Hospitals	Health and Wellness	10,594	49,970
Thomas J. Long Foundation	Administration	427,778	661,111
Richmond Arts & Culture Commission	MAC Program		2,500
East Bay Community Funds	Various programs		55,686
Morris Stulsaft Foundation	Education and Career Programs		8,333
Various Donors	Various programs	4,750	
Various Donors	RAW Talent Program	-	3,333
		<u>\$1,177,551</u>	<u>\$1,524,911</u>

RYSE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

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% (10.25% at June 30, 2016). During the years ended June 30, 2016 and 2015, no amounts were borrowed under this agreement.

NOTE J – Lease Commitment

Effective July 1, 2014, the Organization executed an extended lease agreement with the County of Contra Costa for its facilities located at 205 – 41st 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 will be \$10,800 annually through the year ended June 30, 2019 for a total lease commitment of \$32,400 as of June 30, 2016.

NOTE K – Evaluation of Subsequent Events

Subsequent to the initial release of the financial statements with a report date of November 17, 2016, management discovered that the total of net assets released from restrictions and corresponding satisfaction of program restrictions in the changes in temporarily restricted net assets in the statement of activities was understated by \$212,332. The statement of activities has been revised to report the correct total of \$868,621. The decrease in net assets for the year ended June 30, 2016 remains unchanged.

The Organization has evaluated subsequent events through March 6, 2017, the date which the financial statements were available to be issued.