

RYSE, INC.
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

February 15, 2022

Board of Directors
RYSE, Inc.
Richmond, California

I have audited the accompanying consolidated financial statements of RYSE, Inc. (a nonprofit public benefit corporation), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated financial statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity's internal control. Accordingly, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Directors
RYSE, Inc.
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Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of RYSE, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

The supplemental schedules on pages 19 through 20 are not a required part of the basic consolidated financial statements but are supplementary information requested by the Organization. The information contained in those schedules has been subjected to the audit procedures applied to the basic consolidated financial statements. In my opinion, this additional information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.



Healy and Associates
Concord, California

RYSE, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 6,220,209
Grants, contracts, and accounts receivable	2,208,297
Prepaid expenses	19,023
Interest receivable	123,269
Cash - restricted for construction disbursements	<u>3,318,107</u>

TOTAL CURRENT ASSETS 11,888,905

FIXED ASSETS, net 8,772,115

OTHER ASSETS

Cash - restricted for CDE reserve	377,603
Leveraged loan receivable	<u>7,816,665</u>

TOTAL OTHER ASSETS 8,194,268

TOTAL ASSETS \$ 28,855,288

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 685,423
Line of credit	6,643
Note payable, current portion	<u>250,000</u>

TOTAL CURRENT LIABILITIES 942,066

Note payable, long-term portion, net of debt issuance costs	1,659,727
NMTC notes payable	<u>11,088,000</u>

TOTAL LIABILITIES 13,689,793

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Without donor restrictions	11,806,052
With donor restrictions	<u>3,359,443</u>

TOTAL NET ASSETS 15,165,495

TOTAL LIABILITIES AND NET ASSETS \$ 28,855,288

RYSE, INC.**CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 5,281,607	\$ 2,323,657	\$ 7,605,264
Government contracts	2,532,299	-	2,532,299
SBA loan(s) forgiveness	575,608	-	575,608
ERC income	265,562	-	265,562
Program service fees	52,363	-	52,363
Interest and earnings	163,418	-	163,418
	<u>8,870,857</u>	<u>2,323,657</u>	<u>11,194,514</u>
Net assets released from restriction	<u>1,822,250</u>	<u>(1,822,250)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>10,693,107</u>	<u>501,407</u>	<u>11,194,514</u>
EXPENSES:			
Program	2,769,260	-	2,769,260
General and administrative	727,828	-	727,828
Fundraising	152,586	-	152,586
	<u>3,649,674</u>	<u>-</u>	<u>3,649,674</u>
CHANGE IN NET ASSETS	<u>7,043,433</u>	<u>501,407</u>	<u>7,544,840</u>
NET ASSETS, beginning of year	<u>4,762,619</u>	<u>2,858,036</u>	<u>7,620,655</u>
NET ASSETS, end of year	<u>\$ 11,806,052</u>	<u>\$ 3,359,443</u>	<u>\$ 15,165,495</u>

See Notes to Consolidated Financial Statements

RYSE, INC.**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	Program	General and Administrative	Fundraising	Total
PERSONNEL COSTS:				
Compensation	\$ 1,384,484	\$ 511,335	\$ 115,755	\$ 2,011,574
Payroll taxes	117,101	39,891	9,185	166,177
Employee benefits	176,104	68,912	13,235	258,251
TOTAL PERSONNEL COSTS	1,677,689	620,138	138,175	2,436,002
OPERATING EXPENSES:				
Interest expense	306,873	-	-	306,873
Telecommunications	81,624	17,650	5,725	104,999
Program contractors	94,850	7,869	1,500	104,219
Consultants	54,666	42,949	400	98,015
Direct assistance (COVID-19)	96,268	-	-	96,268
Facilities security and maintenance	75,595	4,368	-	79,963
Stipends	62,546	-	-	62,546
Evaluation	54,338	-	-	54,338
Program supplies	49,453	164	-	49,617
Insurance	42,689	1,217	-	43,906
Depreciation	35,088	-	-	35,088
Dues and subscriptions	22,845	2,540	2,916	28,301
Emergency assistance	18,726	2,660	-	21,386
Bad debt	16,787	-	-	16,787
Equipment, rental, and maintenance	13,241	742	-	13,983
Staff development	9,023	4,938	-	13,961
Fees, licenses, and taxes	-	12,767	-	12,767
Payroll fees	10,367	300	-	10,667
Bank charges and fees	4,532	5,368	413	10,313
Supplies	7,972	2,100	80	10,152
Utilities	9,763	-	-	9,763
Events and meetings	7,875	472	-	8,347
Rent	5,785	-	-	5,785
Advertising and promotion	811	-	3,022	3,833
Travel	2,732	578	-	3,310
Youth incentives	3,123	-	-	3,123
Interest expense on note discount	2,736	-	-	2,736
Postage and delivery	660	52	355	1,067
Miscellaneous	34	956	-	990
Printing	569	-	-	569
TOTAL OPERATING EXPENSES	1,091,571	107,690	14,411	1,213,672
TOTAL EXPENSES	\$ 2,769,260	\$ 727,828	\$ 152,586	\$ 3,649,674

See Notes to Consolidated Financial Statements

RYSE, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 7,544,840
ADJUSTMENTS TO RECONCILE TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Depreciation	35,088
Interest expense on note discount	2,736
Gain on forgiveness of SBA loans	(575,608)
CHANGES IN CURRENT ASSETS AND CURRENT LIABILITIES:	
Grants, contracts, and accounts receivable	(712,635)
Prepaid expenses	(1,459)
Accounts payable and accrued liabilities	<u>23,937</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,316,899</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of property and equipment	<u>(3,114,798)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(3,114,798)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment on notes payable	(3,000,000)
Borrowing on line of credit	<u>6,643</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(2,993,357)</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	208,744
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year	<u>9,707,175</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year	<u><u>\$ 9,915,919</u></u>
SUPPLEMENTAL INFORMATION:	
Interest capitalized	<u><u>\$ 522,216</u></u>

See Notes to Consolidated Financial Statements

RYSE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE A – NATURE OF ACTIVITIES

RYSE, Inc. (RYSE or Organization) is a nonprofit public benefit corporation, incorporated in California in 2007. They have locations in Richmond, California. 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. The four main programs run by RYSE are:

Education + Justice - Strengthening young people's ability to successfully navigate education and juvenile justice systems, empowering them to be advocates for change and agents in their own liberation.

Youth Leadership + Advocacy - Ensuring young people serve as key stakeholders and decision-makers on issues and policies impacting their individual and collective well-being.

Media, Arts + Culture - Elevating youth voices by providing access to loving and talented teaching artists, media equipment, and professional development training in the areas of music, video production, and visual and performing arts.

Community Health - Providing young people with direct services, education, and advocacy to support individual and community health, and working towards policies and systems that are empathetic to their needs.

During the year ended June 30, 2019, RYSE, Inc. (RYSE) established RYSE Commons, Inc. (RC), an affiliated California nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable state law. RC was formed to facilitate a New Markets Tax Credit (NMTC) transaction for the RC construction and redevelopment project of 3939 Bissell Avenue, Richmond, California. Throughout the remainder of these notes the term RYSE or the Organization will refer to both RYSE and RC unless otherwise indicated.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements contain the financial statements of RYSE, Inc. and RYSE Commons, Inc. Any significant intercompany balances and transactions have been eliminated in consolidation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Method and Basis of Presentation

The accounting records of RYSE are maintained on the accrual basis of accounting. The consolidated financial statements of RYSE have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require RYSE to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of RYSE. These net assets may be used at the discretion of RYSE's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of RYSE or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires RYSE to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Cash in Restricted Construction Accounts

Unspent cash from the NMTC transaction is reflected as restricted cash on the consolidated statement of financial position. Its use is restricted for the Bissell Avenue project.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants, Contracts, and Accounts Receivable

Grants, contracts, and accounts receivable are receivables primarily from donors, governmental agencies, and individuals, which are considered collectible. Therefore, no allowance for doubtful accounts was deemed necessary by management.

Fixed Assets

Fixed asset additions, in excess of \$5,000, are recorded at cost, or if donated, at fair value on the date of donation, less accumulated depreciation. Depreciation is computed using the 150% and 200% declining balance method over the estimated useful lives of the related assets for improvements and equipment, respectively. Buildings are depreciated on the straight line method over the useful life of the asset. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

Fair Value Measurements

RYSE's financial instruments include cash and cash equivalents measured using Level 1 inputs. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). RYSE groups assets at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

- **Level 1**— Quoted prices for identical assets in active markets.
- **Level 2**—Observable inputs other than Level 1, which include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- **Level 3**— Unobservable inputs that cannot be corroborated by observable market data.

Donated Services and In-kind Contributions

From time to time, RYSE receives goods and services, which are donated for carrying out its mission. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. For the year ended June 30, 2021, RYSE recognized \$0 for in-kinds good or services.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exemption Status

RYSE, Inc. has received exempt status under section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the State of California Revenue and Taxation Code. RYSE, Inc. is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. RYSE, Inc. has no unrelated business income, and management has analyzed tax positions taken and has concluded that, as of June 30, 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements.

RYSE Commons, Inc. has received exempt status under section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the State of California Revenue and Taxation Code. RYSE Commons, Inc. has no unrelated business income, and management has analyzed tax positions taken and has concluded that, as of June 30, 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements.

Revenue Recognition

RYSE is supported primarily through foundation grants, government contracts, and contributions.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances, if any, in the consolidated statement of financial position. The Organization has \$529,876 in cost-reimbursement grants that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred. No amounts have been received in advance under the cost-reimbursable grants.

Program service fee revenue is recognized as the services are provided.

RYSE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the consolidated statement of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of RYSE. Such expenses which are common to multiple functions have been allocated among the various functions benefited, either using square feet of space or personnel time records.

Newly Adopted Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which requires organizations to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the organization expects to be entitled to in exchange for those goods and services. The Organization adopted the standard on July 1, 2020. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

Relevant Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The new standard establishes a comprehensive new lease accounting model. It clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. It is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements.

NOTE C – GRANTS, CONTRACTS, AND ACCOUNTS RECEIVABLE

Grants, contracts, and accounts receivable at June 30, 2021 consist of the following:

Contracts receivable	\$ 757,259
Grants receivable	1,185,214
ERC receivable	265,562
Other receivable	262
Total	<u>\$ 2,208,297</u>

RYSE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE D – FIXED ASSETS

Fixed assets at June 30, 2021 consist of the following:

Land	\$ 324,250
Buildings	552,742
Furniture, fixtures, and equipment	6,447
Construction in progress	<u>8,048,406</u>
Total fixed assets	8,931,845
Less: accumulated depreciation	<u>(159,730)</u>
Total fixed assets, net	<u>\$ 8,772,115</u>

Depreciation expense for the year ended June 30, 2021 is \$35,088.

NOTE E – LEVERAGED LOAN RECEIVABLE

On June 26, 2019, RYSE lent \$7,816,665 to Twain Investment Fund 378, LLC for the purpose of funding the property renovation of RYSE Commons through New Market Tax Credits. The note carries annual interest of 1.5770% with interest payments beginning December 2019 and maturing June 26, 2054. The note is interest only through June 2027 with amortization beginning July 1, 2028.

After the Compliance Period, there are put and call agreements between RYSE and the investor. It is anticipated that the NMTC investor will put their option and RYSE will own the QEI funds at the end of the Compliance Period. However, if the investor does not put their interest, management plans to exercise its option to call. This action will essentially result in forgiveness of these loans as well as extinguishment of RYSE's debt described in Note H.

In order to fund the above loan, RYSE paid \$7,816,665 in cash on hand (including \$5,500,000 in bridge loan funding).

During the year ended June 30, 2021, RYSE recognized \$123,269 in interest income from the loan receivable and is included in interest and dividend income in the accompanying consolidated statement of activities.

RYSE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE F – SBA LOANS PAYABLE

In April 2020, the Organization received \$425,000 from the Payroll Protection Program (PPP) and in June 2020 \$150,000 in an Economic Injury Disaster Loan (EIDL) offered through the U.S. Small Business Administration, in response to COVID-19.

During the year ended June 30, 2021, RYSE received forgiveness of the PPP and EIDL loans, which is reflected in the accompanying consolidated statement of activities.

NOTE G – NOTE PAYABLE

On June 26, 2019, RYSE borrowed \$5,500,000 from Raza Development Fund, Inc. in connection with the RYSE Commons project (See Note H). The note carries annual interest of 5.75% and matures December 26, 2026, except in the event of default. Interest payments began October 2019. In addition, the Organization recorded a contra-liability for the debt issuance costs of \$95,745, which is amortized over the life of the loan. The amount payable, net of unamortized discount, at June 30, 2021 is \$1,909,727. RYSE recognized \$2,736 in interest expense on note discount for the year ended June 30, 2021. Future maturities are as follows:

<u>Year ended June 30</u>	
2022	\$ 250,000
2023	\$ 250,000
2024	\$ 250,000
2025	\$ 250,000
2026	\$ 250,000
2027	\$ 750,000

NOTE H – NEW MARKET TAX CREDIT PROJECT

At the end of June 2019, RYSE, Inc. executed agreements and related documents as necessary in connection with the closing of the New Markets Tax Credit (“NMTC”) financing transaction for the RYSE Commons project through the newly created RYSE Commons, Inc. nonprofit. The project at 3939 Bissell Avenue in Richmond, California encompasses a renovation of the 45,000 square foot property by creating one cohesive campus to meet all of the needs of their target population for a better community and opportunities for its youth.

The NMTC program, enacted by Congress and administered by the U.S. Department of the Treasury, was created to promote economic development in distressed areas. Through the NMTC Program, the CDFI Fund allocates tax credit authority to Community Development

NOTE H – NEW MARKET TAX CREDIT PROJECT (Continued)

Entities (CDEs) through a competitive application process. CDEs are financial intermediaries through which investment capital flows from an investor to a qualified business located in a low-income community. CDEs use their authority to offer tax credits to investors in exchange for equity in the CDE. With these capital investments, CDEs can make loans and investments to businesses operating in distressed areas that have better rates and terms and more flexible features than the market. The NMTC Program helps to offset the perceived or real risk of investing in distressed and low-income communities. In exchange for investing in CDEs, investors claim a tax credit worth 39 percent of their original CDE equity stake, which is claimed over a seven-year period. In addition to receiving a tax benefit, investors have the advantage of entering new, unsaturated markets before their competitors, thereby increasing their chances of success. The NMTC Program enables investors to gain recognition for supporting the revitalization of America's communities.

The financing structure requires RYSE to divest its interest in the project for a minimum period of seven years. RYSE achieved this through the sale of the property to RYSE Commons, Inc. (RC). The structure also requires RYSE to serve several key capacities as the leverage lender, developer, ground lessor, and master tenant.

There is a ground lease in place for the period June 26, 2019 through December 31, 2048, whereby RYSE can use the RC property in performing their functions as an organization. The payments are to begin in 2021. The effects of the commitment are not disclosed in the accompanying footnotes as the amounts will be eliminated upon consolidation.

The NMTC Investor is subject to 100% recapture of the New Market Tax Credits it receives for a period of seven years as provided in the Internal Revenue Code and applicable U.S. Treasury regulations. The Organization is required to be in compliance with various regulations and contractual provisions that apply to the New Market Tax Credit arrangement. Noncompliance with applicable requirements could result in the NMTC Investor's projected tax benefits not being realized and, therefore, require the Organization to indemnify the NMTC Investor for any loss or recapture of New Market Tax Credits related to the financing until such time as the recapture provisions have expired under the applicable statute of limitations. The Organization does not anticipate any credit recapture will be required in connection with this financing arrangement.

RYSE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE I – NMTC NOTES PAYABLE

In June 2019, RYSE Commons, Inc. obtained financing in an arrangement structured under the NMTC program. These loans made to RYSE Commons, Inc. by the CDEs on June 26, 2019, and outstanding at June 30, 2021, are as follows:

LCD New Markets Fund XXIX, LLC Note A	\$7,816,665
LCD New Markets Fund XXIX, LLC Note B	3,271,335
Total Note payable	<u>\$ 11,088,000</u>

All loans have a maturity date of June 2054. The applicable interest rates are 1.1674 percent simple interest. Semi-annual interest payments began December 2019.

The first seven years of the notes are defined as the Compliance Period. Only interest is paid during the Compliance Period. Thereafter, the loans are amortized with principal and interest payments required through the maturity date in Fiscal Year 2054. The loans can be repaid any time after the Compliance Period.

There are put and call agreements between RYSE and the investor in the QEI funds (which has ownership interest in the CDEs making the loans above). If the investor does not exercise their put option, RYSE has the ability to call the ownership in the interest in the QEI funds for fair market value. It is anticipated that the NMTC investor will put their option and RYSE will own the QEI funds at the end of the Compliance Period. However, if the investor does not put their interest, management plans to exercise its option to call. By acquiring the ownership interests, RYSE would be in a position whereby it can forgive the NMTC notes payable, resulting in a substantial reduction in outstanding debt at that point in time and recognition of the benefits from the NMTC program (in turn, it is expected that RYSE would forgive the NMTC notes receivable). The loans are collateralized by essentially all RYSE property and equipment.

NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Activity for net assets with donor restrictions for the year ended June 30 is comprised of the following:

<u>Nature of Restriction</u>	<u>6/30/20</u>	<u>Awards</u>	<u>Releases</u>	<u>6/30/21</u>
<u>Time:</u>				
General operations	\$ 877,512	\$ 333,487	(\$ 616,435)	\$ 594,564
<u>Purpose:</u>				
Programming	920,732	1,990,170	(752,690)	2,158,212
RYSE Commons	1,059,792	-	(453,125)	606,667
Total	<u>\$2,858,036</u>	<u>\$2,323,657</u>	<u>(\$1,822,250)</u>	<u>\$3,359,443</u>

NOTE K – COMMITMENTS

RYSE leases office equipment on a month-to-month basis of approximately \$453 per month.

NOTE L – 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. RYSE deems this contingency remote since by accepting the grants it is compelled to adjust its objectives and policies to accommodate the terms of the grants. Management is of the opinion that RYSE has complied with the terms of all grants.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. While the Organization has revised operations in light of COVID-19, it remains uncertain as to how this matter will continue to impact its operating results. The related financial impact and duration cannot be reasonably estimated at this time.

NOTE M – EMPLOYEE BENEFITS

In January 2019, RYSE adopted a 403(b) deferred compensation plan for its employees with up to 3% matching and a 20% per year vesting period beginning year two with full vesting after year 6 of employment. Total employer match expense for the years ended June 30, 2021 is \$32,937.

RYSE accrues vacation expense for staff members. Total accrued vacation payable liability at June 30, 2021 is \$119,166 and is reflected in the accounts payable and accrued liabilities in the accompanying consolidated statement of financial position.

NOTE N – LINE OF CREDIT

RYSE has an unsecured line of credit from a bank with a maximum available amount of \$100,000. The line renews annually in February with a variable interest rate of 6.75% over the Bank's Prime Rate. The outstanding balance on the line at June 30, 2021 is \$6,643.

RYSE, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE O – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents - unrestricted	\$ 6,220,209
Grants, contracts, and accounts receivable	2,208,297
Interest receivable	<u>123,269</u>
Total financial assets	8,551,775
Less:	
Net assets with purpose restrictions to be met in one year	<u>(3,359,443)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,192,332</u>

As part of RYSE's liquidity management, RYSE has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, RYSE invests cash in excess of daily requirements, if available, in short-term investments.

NOTE P – CONCENTRATION OF CREDIT RISK

At June 30, 2021, RYSE had deposits of approximately \$9,425,445 in financial institutions that exceed the insurance provided by the federal government of \$250,000 per institution. These amounts have not been reduced by items recorded in the accounts not yet clearing the bank.

During the year ended June 30, 2021, RYSE received approximately 27% of its revenue from one funder.

At June 30, 2021, concentrations exist in accounts receivable as 30% of receivables, respectively is due from 1 funder.

NOTE Q – SUBSEQUENT EVENTS

RYSE has evaluated subsequent events through February 15, 2022, which is the date these consolidated financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2021, have been incorporated into these consolidated financial statements herein.

SUPPLEMENTAL SCHEDULES

RYSE, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

	RYSE, Inc.	RYSE Commons, Inc.	Eliminations	Consolidated Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 6,220,209	\$ -	\$ -	\$ 6,220,209
Grants, contracts, and accounts receivable	2,208,297	-	-	2,208,297
Prepaid expenses	19,023	-	-	19,023
Interest receivable	123,269	-	-	123,269
Cash - restricted for construction disbursements	-	3,318,107	-	3,318,107
TOTAL CURRENT ASSETS	8,570,798	3,318,107	-	11,888,905
FIXED ASSETS, net	928,278	8,993,837	*(1,150,000)	8,772,115
OTHER ASSETS				
Cash - restricted for CDE reserve	-	377,603	-	377,603
Leveraged loan receivable	7,816,665	-	-	7,816,665
TOTAL OTHER ASSETS	7,816,665	377,603	-	8,194,268
TOTAL ASSETS	\$ 17,315,741	\$ 12,689,547	\$(1,150,000)	\$ 28,855,288
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 297,535	\$ 387,888	\$ -	\$ 685,423
Line of credit	6,643	-	-	6,643
Note payable, current portion	250,000	-	-	250,000
TOTAL CURRENT LIABILITIES	554,178	387,888	-	942,066
Note payable, long-term portion, net of debt issuance costs	1,659,727	-	-	1,659,727
NMTC notes payable	-	11,088,000	-	11,088,000
TOTAL LIABILITIES	2,213,905	11,475,888	-	13,689,793
COMMITMENTS AND CONTINGENCIES				
NET ASSETS				
Without donor restrictions	11,742,393	1,213,659	*(1,150,000)	11,806,052
With donor restrictions	3,359,443	-	-	3,359,443
TOTAL NET ASSETS	15,101,836	1,213,659	(1,150,000)	15,165,495
TOTAL LIABILITIES AND NET ASSETS	\$ 17,315,741	\$ 12,689,547	\$(1,150,000)	\$ 28,855,288

* Elimination of write-up of fair value of land sold in transaction that was not "arms-length" of \$1,150,000.

RYSE, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	RYSE, Inc.	RYSE Commons, Inc.	Eliminations	Consolidated Total
REVENUE AND SUPPORT				
Foundation grants and contributions	\$ 7,605,264	\$ 64,721 **	\$ (64,721)	\$ 7,605,264
Government contracts	2,532,299	-	-	2,532,299
SBA loan(s) forgiveness	575,608	-	-	575,608
ERC income	265,562	-	-	265,562
Program service fees	52,363	-	-	52,363
Interest and earnings	163,418	-	-	163,418
TOTAL REVENUE AND SUPPORT	11,194,514	64,721	(64,721)	11,194,514
EXPENSES:				
Program	2,833,981	-	** (64,721)	2,769,260
General and administrative	726,886	942	-	727,828
Fundraising	152,586	-	-	152,586
TOTAL EXPENSES	3,713,453	942	(64,721)	3,649,674
CHANGE IN NET ASSETS	7,481,061	63,779	-	7,544,840
NET ASSETS, beginning of year	7,620,775	1,149,880 *	(1,150,000)	7,620,655
NET ASSETS, end of year	\$ 15,101,836	\$ 1,213,659	\$ (1,150,000)	\$ 15,165,495

* Elimination of write-up of fair value of land sold in transaction that was not "arms-length" of \$1,150,000.

** Elimination of intercompany support.