



RISE ACADEMY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2023 AND 2022

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Contents

| | <u>Page</u> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1-2 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position | 3 |
| Statements of Activities and Changes in Net Assets | 4 |
| Statements of Functional Expenses | 5-6 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8-18 |

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
RISE Academy
Omaha, Nebraska

Opinion

We have audited the financial statements of RISE Academy (the Organization), a Nebraska non-profit corporation, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management of the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit finding, and certain internal control-related matters that we identified during the audit.

Bland + Associates, P.C.

Omaha, Nebraska
March 14, 2024

**RISE ACADEMY
STATEMENTS OF FINANCIAL POSITION**

| ASSETS | December 31, | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 2,544,702 | \$ 2,328,704 |
| Restricted Cash | 53,077 | 38,977 |
| Current Portion of Pledges and Grants Receivable | 1,370,102 | 725,047 |
| Prepaid Expenses | 35,618 | 4,477 |
| Total Current Assets | 4,003,499 | 3,097,205 |
| PROPERTY AND EQUIPMENT | | |
| Office Furniture and Equipment | 5,648 | 2,835 |
| Vehicles | 35,000 | 35,000 |
| Leasehold Improvements | 14,894 | - |
| | 55,542 | 37,835 |
| Less Accumulated Depreciation | (12,134) | (2,317) |
| Total Property and Equipment | 43,408 | 35,518 |
| OTHER ASSETS | | |
| Pledges and Grants Receivable, Net of Discount, Less Current Portion | 182,498 | 262,011 |
| Operating Lease Right-of-Use Asset | 80,220 | - |
| Total Other Assets | 262,718 | 262,011 |
| | \$ 4,309,625 | \$ 3,394,734 |
| LIABILITIES AND NET ASSETS | | |
| | December 31, | |
| | 2023 | 2022 |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 11,316 | \$ 32,722 |
| Accrued Payroll and Payroll Taxes | 73,618 | 46,182 |
| Justice Study Funds Held In Custody for Others | 53,077 | 38,977 |
| Business Pitch Competition Winner Liability | 41,585 | 32,043 |
| Current Portion of Operating Lease Liability | 14,768 | - |
| Total Current Liabilities | 194,364 | 149,924 |
| LONG-TERM LIABILITIES | | |
| Operating Lease Liability, Less Current Portion | 66,355 | - |
| Total Long-Term Liabilities | 66,355 | - |
| Total Liabilities | 260,719 | 149,924 |
| COMMITMENTS AND CONTINGENCIES | | |
| | - | - |
| NET ASSETS | | |
| Without Donor Restrictions | 2,256,295 | 2,168,089 |
| With Donor Restrictions | 1,792,611 | 1,076,721 |
| Total Net Assets | 4,048,906 | 3,244,810 |
| | \$ 4,309,625 | \$ 3,394,734 |

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

RISE ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

| | Years Ended December 31, | | | | | |
|---------------------------------------|-------------------------------|----------------------------|----------------------------|-------------------------------|----------------------------|----------------------------|
| | 2023 | | | 2022 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| OPERATING REVENUES AND SUPPORT | | | | | | |
| Grants and Contributions | \$ 2,391,122 | \$ 1,296,562 | \$ 3,687,684 | \$ 1,872,832 | \$ 666,380 | \$ 2,539,212 |
| Dividend and Interest Income | 27,985 | - | 27,985 | - | - | - |
| Net Assets Released from Restriction | 580,672 | (580,672) | - | 990,673 | (990,673) | - |
| Total Operating Revenues and Support | <u>2,999,779</u> | <u>715,890</u> | <u>3,715,669</u> | <u>2,863,505</u> | <u>(324,293)</u> | <u>2,539,212</u> |
| OPERATING EXPENSES | | | | | | |
| Program Services | 2,313,793 | - | 2,313,793 | 1,821,109 | - | 1,821,109 |
| Management and General | 353,268 | - | 353,268 | 288,688 | - | 288,688 |
| Fundraising | 244,512 | - | 244,512 | 181,743 | - | 181,743 |
| Total Operating Expenses | <u>2,911,573</u> | <u>-</u> | <u>2,911,573</u> | <u>2,291,540</u> | <u>-</u> | <u>2,291,540</u> |
| CHANGES IN NET ASSETS | 88,206 | 715,890 | 804,096 | 571,965 | (324,293) | 247,672 |
| NET ASSETS - BEGINNING OF YEAR | <u>2,168,089</u> | <u>1,076,721</u> | <u>3,244,810</u> | <u>1,596,124</u> | <u>1,401,014</u> | <u>2,997,138</u> |
| NET ASSETS - END OF YEAR | <u>\$ 2,256,295</u> | <u>\$ 1,792,611</u> | <u>\$ 4,048,906</u> | <u>\$ 2,168,089</u> | <u>\$ 1,076,721</u> | <u>\$ 3,244,810</u> |

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

RISE ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2023

| | Program Services | | | | | | Management and General | Fundraising Expenses | Totals |
|----------------------------------|-------------------------|-------------------|-------------------|---------------------------|-----------------------------|---------------------|-----------------------------------|---------------------------------|---------------------|
| | In-Prison | Re-entry | Advocacy | Youth & Family | Business Academy | Total | | | |
| Salaries | \$ 452,445 | \$ 525,735 | \$ 195,346 | \$ 113,537 | \$ 71,113 | \$ 1,358,176 | \$ 164,511 | \$ 147,443 | \$ 1,670,130 |
| Payroll Taxes and Benefits | 162,983 | 188,399 | 65,520 | 24,142 | 20,692 | 461,736 | 50,758 | 27,913 | 540,407 |
| Travel and Meals | 27,444 | 57,470 | 4,369 | 33,350 | 9,005 | 131,638 | 27,995 | 4,019 | 163,652 |
| Client Assistance | 7,585 | 87,801 | 3,377 | 9,450 | 11,153 | 119,366 | 33 | - | 119,399 |
| Rent | 15,647 | 18,169 | 26,305 | 10,431 | 10,431 | 80,983 | 11,602 | 15,647 | 108,232 |
| Professional Fees | 23,682 | 9,157 | 23,639 | 7,555 | 6,105 | 70,138 | 19,751 | 14,872 | 104,761 |
| Supplies | 4,402 | 5,630 | 1,435 | 2,367 | 717 | 14,551 | 47,221 | 8,838 | 70,610 |
| Telephone and Communication | 5,043 | 4,230 | 7,030 | 3,331 | 2,811 | 22,445 | 2,954 | 4,218 | 29,617 |
| Advertising and Public Relations | 2,844 | 1,354 | 144 | 1,497 | 133 | 5,972 | 9,010 | 10,840 | 25,822 |
| Insurance | 3,657 | 3,657 | 6,177 | 2,438 | 2,438 | 18,367 | 2,438 | 3,657 | 24,462 |
| Professional Development | 1,703 | 4,221 | 1,473 | 2,276 | 2,142 | 11,815 | 2,858 | 450 | 15,123 |
| Events | 2,661 | 4,632 | 509 | 1,485 | 1,047 | 10,334 | 2,257 | 372 | 12,963 |
| Depreciation | 288 | 288 | 481 | 192 | 192 | 1,441 | 8,088 | 288 | 9,817 |
| Maintenance | 1,018 | 1,018 | 1,697 | 679 | 679 | 5,091 | 824 | 1,018 | 6,933 |
| Dues and Subscriptions | - | 35 | 1,080 | - | 600 | 1,715 | 2,854 | 302 | 4,871 |
| Other | - | - | 25 | - | - | 25 | 114 | 4,635 | 4,774 |
| TOTAL FUNCTIONAL EXPENSES | \$ 711,402 | \$ 911,796 | \$ 338,607 | \$ 212,730 | \$ 139,258 | \$ 2,313,793 | \$ 353,268 | \$ 244,512 | \$ 2,911,573 |

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

RISE ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES (Continued)
For the Year Ended December 31, 2022

| | Program Services | | | | | | Total | Management and General | Fundraising Expenses | Totals |
|----------------------------------|-------------------------|-------------------|-------------------|---------------------------|-------------------------|-----------------|---------------------|-------------------------------|-----------------------------|---------------------|
| | In-Prison | Re-entry | Advocacy | Youth & Family | Business Academy | Other | | | | |
| Salaries | \$ 430,904 | \$ 524,469 | \$ 99,996 | \$ 46,718 | \$ 32,615 | \$ - | \$ 1,134,702 | \$ 100,169 | \$ 119,424 | \$ 1,354,295 |
| Payroll Taxes and Benefits | 136,825 | 146,209 | 34,712 | 15,041 | 6,761 | - | 339,548 | 70,181 | 21,029 | 430,758 |
| Travel and Meals | 28,520 | 55,967 | 4,629 | 18,855 | 2,362 | 648 | 110,981 | 26,533 | 4,643 | 142,157 |
| Client Assistance | 6,158 | 56,273 | - | 10,230 | 965 | - | 73,626 | 1,205 | - | 74,831 |
| Supplies | 14,677 | 16,164 | 498 | 3,541 | - | - | 34,880 | 36,283 | 3,332 | 74,495 |
| Professional Fees | 7,699 | 18,678 | 8,274 | 6,683 | 5,133 | - | 46,467 | 10,299 | 7,699 | 64,465 |
| Rent | 7,824 | 13,073 | 7,874 | 5,249 | 5,249 | - | 39,269 | 5,399 | 7,824 | 52,492 |
| Advertising and Public Relations | 1,020 | 4,573 | - | 861 | 88 | - | 6,542 | 12,535 | 12,467 | 31,544 |
| Telephone and Communication | 3,679 | 6,456 | 3,478 | 2,379 | 2,319 | - | 18,311 | 1,853 | 3,478 | 23,642 |
| Insurance | - | - | - | - | - | - | - | 13,651 | - | 13,651 |
| Events | 4,149 | 1,182 | 1,018 | 2,520 | 149 | 654 | 9,672 | 1,620 | 234 | 11,526 |
| Professional Development | 2,150 | 1,140 | 174 | - | 125 | - | 3,589 | 2,757 | 1,613 | 7,959 |
| Other | - | - | - | - | - | 2,722 | 2,722 | 1,503 | - | 4,225 |
| Dues and Subscriptions | - | - | 800 | - | - | - | 800 | 2,383 | - | 3,183 |
| Depreciation | - | - | - | - | - | - | - | 2,317 | - | 2,317 |
| TOTAL FUNCTIONAL EXPENSES | \$ 643,605 | \$ 844,184 | \$ 161,453 | \$ 112,077 | \$ 55,766 | \$ 4,024 | \$ 1,821,109 | \$ 288,688 | \$ 181,743 | \$ 2,291,540 |

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

**RISE ACADEMY
STATEMENTS OF CASH FLOWS**

| | Years Ended December 31, | |
|--|---------------------------------|---------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in Net Assets | \$ 804,096 | \$ 247,672 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By Operating Activities: | | |
| Change in Discount on Pledges Receivable | (10,487) | (10,244) |
| Depreciation | 9,817 | 2,317 |
| Amortization of Operating Lease Right-of-Use Asset | 6,726 | - |
| (Increase) Decrease in Assets: | | |
| Pledges and Grants Receivable | (555,055) | 154,586 |
| Prepaid Expenses | (31,141) | (4,477) |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (21,406) | 23,011 |
| Accrued Payroll and Payroll Taxes | 27,436 | 3,062 |
| Justice Study Funds Held in Custody for Others | 14,100 | 38,977 |
| Business Pitch Competition Winner Liability | 9,542 | 4,266 |
| Operating Lease Liability | (5,823) | - |
| Net Cash Provided By Operating Activities | 247,805 | 459,170 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Property and Equipment | (17,707) | (35,000) |
| Net Cash Used In Investing Activities | (17,707) | (35,000) |
| Net Increase in Cash, Cash Equivalents, and Restricted Cash | 230,098 | 424,170 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR | 2,367,681 | 1,943,511 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR | \$ 2,597,779 | \$ 2,367,681 |
| SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING AND FINANCING ACTIVITIES | | |
| Operating Lease Right-of-Use Asset Obtained in Exchange for Operating Lease Liability | \$ 86,946 | \$ - |
| Reconciliation of Cash, Cash Equivalents and Restricted Cash to the Statements of Financial Position | | |
| Cash and Cash Equivalents | \$ 2,544,702 | 2,328,704 |
| Restricted Cash | 53,077 | 38,977 |
| | \$ 2,597,779 | \$ 2,367,681 |

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

RISE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of RISE Academy (RISE or Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Reporting Organization

The Organization is a nonprofit organization whose mission is that all people find freedom from cycle of incarceration. At RISE, transformation starts pre-release and continue post-release. The RISE inside/out model bridges incarceration to the community and considers all the critical steps in that journey. RISE prepares and trains people for each phase through intensive character development, employment readiness, job creation through entrepreneurship and case management. RISE transforms people in the community by building awareness and empathy that leads to support and opportunity. These connections heal families, create employment pathways and lower recidivism. RISE has five main programs that are described below:

In-Prison

The Rise in-prison team teaches and facilitates the RISE curriculum and program at seven Nebraska prison facilities. The RISE in-prison program is a six-month innovative program focused on character development, re-entry planning, job readiness and entrepreneurship. Program graduates receive a RISE completion certificate and a Certificate in Career Readiness from the University of Nebraska Omaha's School of Business Administration.

Re-entry

The RISE re-entry team works with program graduates of the RISE pre-release program starting a year from release and continues providing case management and peer support through their time at work release, parole, mandatory discharge and return to the community. Re-entry services continue as long as needed for returning citizens. Each RISE graduate is assigned a case manager from the re-entry team that supports the various needs of a returning citizen including access to housing, employment, recovery programs, basic needs, mental and physical health care and other programming including parenting programming, a business accelerator for those pursuing entrepreneurship called the RISE Business Academy and participation in the RISE Alumni Association, the peer support group of released RISE graduates.

RISE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Organization (Continued)

Advocacy

RISE public policy and advocacy work is focused on reducing the population of incarcerated individuals and eliminating the barriers people endure upon returning home after incarceration. RISE creates opportunities for system impacted people to have their concerns and ideas voiced and heard during the legislative process. RISE works to bring together people impacted by the system, organizations, and other individuals to create a coalition to work in solidarity to advocate for changes in the Nebraska criminal justice system landscape and the economic and social empowerment of people impacted by the system. The RISE Director of Policy and Advocacy is currently focused on bail reform in Nebraska and works on policy and legislative changes at all levels of government that impact the daily lives of people impacted by the system and their families for economic and social outcomes that include employment, housing, transportation, education, living conditions and civic participation.

Youth & Family

The RISE Youth & Family Program offers family support, in-prison workshops, and one-on-one coaching to In-Prison Program Graduates. The introduction of this program is first initiated when In-Prison programming begins and can be utilized both by the participants and their loved ones on the outside. Workshops are offered inside correctional facilities as part of continuing education after the RISE In-Prison Program has been completed.

Additionally, the Youth & Family Program hosts a support-based coffee hour to women impacted by incarceration twice a month - once in Omaha and once in Lincoln. This coffee hour is perfect for women with their own lived experience or have a spouse or loved one incarcerated.

Business Academy

The RISE Business Academy is a 12-week program focused on developing a prosperous business in the community for those having lived experience within the criminal justice system or their family members. Through support and community services, the RISE Business Academy aims to create and promote self-sufficiency, independence, and economic growth through entrepreneurship.

Basis of Presentation

The Organization maintains its accounts on the accrual basis of accounting.

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

RISE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Net assets without donor restriction – Net assets that are not subject to grant or donor-imposed stipulations.

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

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restriction.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Measure of Operations

In the statements of activities and changes in net assets, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, are recognized as operating support, revenues, gains, and losses.

Cash, Cash Equivalents and Restricted Cash

RISE considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Undeposited funds are included as cash equivalents.

RISE also has restricted cash related to a partnership with Harvard for a Justice Study. RISE is acting as the fiscal recipient of bail funds for the duration of participant enrollment in the study and is also responsible for the bail out process. Because RISE is acting in a fiscal agent

RISE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Restricted Cash (Continued)

capacity, the amount is recorded on the statements of financial position as restricted cash and justice study funds held in custody for others.

Pledges and Grants Receivable

RISE records unconditional pledges that are expected to be collected within one year at net realizable value. Unconditional pledges expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates (3.96%-4.29%) designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities and changes in net assets.

RISE records grants receivable when eligibility and conditional requirements have been met – generally when costs have been incurred.

The allowance for uncollectible pledges and grants is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Pledges and grants receivable are written off when deemed uncollectible. At December 31, 2023 and 2022, RISE made no allowance for uncollectible amounts.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs of less than \$1,000 are charged to expense as incurred. The cost of assets disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal.

Depreciation is computed using the straight-line method over the following useful lives:

| | <u>Years</u> |
|--------------------------------|--------------|
| Office Furniture and Equipment | 5-10 |
| Vehicles | 5 |
| Leasehold Improvements | 3-5 |

Revenue and Revenue Recognition

The Organization recognizes revenue when a customer obtains controls of promised goods or services, in an amount that reflects the consideration which the Organization expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Organization determines are within the scope of Topic 606, the Organization performs the following five steps: (i) identify the contract with a customer, (ii)

RISE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition (Continued)

identify the performance obligations in the contract, (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Organization satisfies the performance obligation. The Organization only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods and services it transfers to the customer.

At contract inception, once the contract is determined to be within the scope of Topic 606, the Organization assesses the goods or services promised within each contract and determines those that are performance obligations. The Organization then assesses whether each promised good or service is distinct and recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Grant revenue is recognized when eligibility requirements have been met, which is primarily when allowable or direct expenditures, as dictated by grant awards, are incurred, and when collectability is reasonably assured.

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a 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 met. All support and revenues are considered unrestricted unless stipulated by the donor or grantor.

In-Kind Contributions and Donated Services

Contributions of gifts in-kind that can be used by the Organization are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, salaries and payroll taxes and benefits are allocated on the basis of estimates of time and effort. Other expenses are expensed directly based on the programs and supporting services benefited.

RISE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees of the Organization are entitled to paid vacation, paid sick, and paid personal time off. There is no cash value assigned to the paid personal time off, thus no liability has been recorded in the accompanying financial statements.

Advertising

The Organization uses advertising to promote its programs, recruit volunteer mentors, and raise awareness about community-based mentoring. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2023 and 2022 was \$25,822 and \$31,544, respectively.

Income Taxes

RISE has qualified under Internal Revenue Code Section 501(c)(3) for Federal income tax purposes as a tax-exempt organization other than a private foundation. No provision for income taxes is recorded by RISE.

The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. Management evaluated RISE's tax positions and concluded that RISE had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. RISE is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2019.

Recently Adopted Accounting Pronouncements

On January 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* Accounting Standards Codification (ASC) 326. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

The Organization adopted ASC 326 effective January 1, 2023 using the modified retrospective approach. There was no impact on the Organization's financial statements upon implementation.

RISE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through March 14, 2024, which is the date the financial statements were available to be issued.

NOTE B – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist of cash, and pledges and grants receivable. RISE maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. RISE has not experienced any losses in such accounts. RISE believes it is not exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2023, and 2022, deposits exceeded the FDIC insurance limits by \$1,957,189 and \$2,103,330, respectively.

Contributions and grants can vary in concentration at any time depending on the year.

NOTE C – LIQUIDITY AND AVAILABILITY

RISE receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures within one year. RISE has a goal to maintain financial assets, which consist of cash, to meet 90 days of normal operating expenses. RISE has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

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

| | | |
|---|----|-------------|
| Cash and Cash Equivalents | \$ | 2,544,702 |
| Pledges and Grants Receivable | | 1,370,102 |
| | | 3,914,804 |
| Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions: | | |
| Net Assets With Donor Restrictions | | (1,792,611) |
| Add Back Timing Restrictions Designated for 2024 Operations | | 790,000 |
| | \$ | 2,912,193 |

RISE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2023 and 2022

NOTE D – PLEDGES AND GRANTS RECEIVABLE

The pledges and grants receivable balance was made up of the following as of December 31:

| | 2023 | 2022 |
|---|--------------|------------|
| Pledges Receivable | \$ 1,389,977 | \$ 766,748 |
| Grants Receivable | 170,125 | 238,299 |
| Discount on Long-Term Pledges | (7,502) | (17,989) |
| Total Net Pledges and Grants Receivable | \$ 1,552,600 | \$ 987,058 |

The maturities of pledges and grants receivable at December 31, 2023 are as follows:

| | Amount |
|--|--------------|
| Receivable in Less than One Year - Pledges | \$ 1,199,977 |
| Receivable in Less than One Year - Grants | 170,125 |
| Receivable in One to Five Years - Pledges | 190,000 |
| Total Pledges and Grants Receivable | \$ 1,560,102 |

In addition, the Organization has approximately \$200,000 in conditional promises to give where the amounts will be recognized once the conditions associated with them are met and the respective barriers are overcome. The conditions have not been met as of December 31, 2023; therefore, the amounts are not included in the accompanying financial statements. Following is a description of the conditional promises to give and the associated conditions:

| Condition | Amount |
|--|------------|
| Matching funds – Robert Daugherty Foundation | \$ 200,000 |

NOTE E – NET ASSETS

Net assets with donor restrictions at December 31, 2023 and 2022 are restricted for the following purposes:

| | 2023 | 2022 |
|---|--------------|--------------|
| Subject to expenditure for specified purpose: | | |
| Re-entry Program | \$ 318,886 | \$ 299,697 |
| Youth & Family | 10,000 | 43,950 |
| Director of Public Policy | - | 16,063 |
| Director for Family Programs | 15,000 | - |
| Builder Bags | 2,797 | - |
| Advocacy | 63,430 | - |
| Women’s Prison (York) NCCW PPA | 50,000 | - |
| Transition Housing Pilot | 50,000 | - |
| Subject to Timing Restrictions | 1,282,497 | 717,011 |
| Total | \$ 1,792,611 | \$ 1,076,721 |

RISE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2023 and 2022

NOTE E – NET ASSETS (Continued)

Certain amounts with purpose restrictions also have timing restrictions. These were included as purpose restricted given both the timing and purpose restriction will need to be met before release.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Releases for the year ended December 31, 2023 and 2022 consisted of the following:

| | 2023 | 2022 |
|-------------------------------------|------------|------------|
| Released from purpose restrictions: | | |
| Re-entry Program | \$ 96,145 | \$ 65,917 |
| Youth & Family | 53,951 | - |
| Director of Public Policy | 16,063 | - |
| Released from timing restrictions | 414,513 | 924,756 |
| Total | \$ 580,672 | \$ 990,673 |

NOTE F – OPERATING LEASES

The Organization made an accounting policy election available under the Financial Accounting Standards Board (FASB) ASC Topic 842, *Leases*, not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

The Organization leases office space that began in August 2023 and expires in 2028. The lease includes an option to renew, generally at the Organization’s sole discretion, with renewal terms that can extend the lease term up to 5 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the Organization, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization’s operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the years ended December 31,:

| | 2023 | 2022 |
|-----------------------|------------|-----------|
| Operating lease cost | \$ 8,195 | \$ - |
| Short-term lease cost | 96,287 | 52,492 |
| Variable lease cost | 3,750 | - |
| Total lease cost | \$ 108,232 | \$ 52,492 |

RISE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2023 and 2022

NOTE F – OPERATING LEASES (Continued)

Supplemental information related to leases is as follows for the year ended December 31, 2023:

| | |
|---|-----------|
| Cash paid for amounts included in measurement of lease liabilities: | |
| Operating cash outflows – payments on operating leases | \$ 7,292 |
| Right-of-use assets obtained in exchange for new lease obligations | |
| Operating leases | \$ 86,946 |
| Weighted-average remaining lease term- operating | 4.92 |
| Weighted-average discount rate- operating | 4.24% |

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the statements of financial position are as follows as of December 31, 2023:

| <u>Years Ending December 31,</u> | <u>Operating Leases</u> |
|---|-----------------------------|
| 2024 | \$ 17,865 |
| 2025 | 18,758 |
| 2026 | 19,696 |
| 2027 | 20,680 |
| 2028 | 12,408 |
| Total Lease Payments | <u>89,407</u> |
| Less Imputed Interest | <u>(8,284)</u> |
| Total Present Value of Lease Liabilities | <u>\$ 81,123</u> |

RISE has an operating lease for office space. Monthly rental payments for office space under this lease range from \$215 to \$231. The office space lease expires in June 2024. The lease is short-term.

RISE also had an operating lease for office space that began April 2021 and was terminated in July 2023. The office lease had monthly rental payments ranging from \$4,166 and \$4,510 over the course of the lease. RISE had the option to terminate the lease with 30 days written notice and it was not reasonably assured RISE would remain in the office space through the life of the lease.

RISE also has an operating lease for office space that began in June 2023 and expires in July 2026. The office lease has monthly rental payments ranging from \$11,667 and \$12,377 over the course of the lease. RISE has the option to terminate the lease with 30 days written notice and it is not reasonably assured RISE will remain in the office space through the life of the lease.

RISE has another month-to-month lease for office space that is \$500 per month.

RISE ACADEMY
NOTES TO THE FINANCIAL STATEMENTS (Continued)
Years Ended December 31, 2023 and 2022

NOTE G – RELATED PARTY TRANSACTIONS

At December 31, 2023 and 2022, there was \$165,000 and \$275,000, respectively, included in RISE's receivables, due from related parties.

NOTE H – RETIREMENT PLAN

The Organization participates in a 403(b) retirement savings plan covering substantially all full-time employees. The Organization made \$32,116 and \$26,723 in employer contributions to the Plan during the years ended December 31, 2023 and 2022, respectively.