

RISE FOUNDATION, INC.



FINANCIAL STATEMENTS

April 30, 2013 and 2012



Watkins Uiberall, PLLC
Certified Public Accountants & Financial Advisors
Independent Member of BKR International

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
RISE Foundation, Inc.
Memphis, Tennessee

We have audited the accompanying financial statements of RISE Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of April 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years 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 accounting principles generally accepted in the United States of America; 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 based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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 RISE Foundation, Inc. as of April 30, 2013 and 2012, 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.

Watkins Mikusall, PLLC

Memphis, Tennessee
September 25, 2013

RISE FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

April 30, 2013 and 2012

	<u>Assets</u>		<u>2013</u>	<u>2012</u>
Current Assets				
Cash and cash equivalents		\$	455,412	\$ 464,629
Restricted cash			20,765	85,717
Investments			1,423,525	1,321,032
Pledges receivable - current			123,116	108,873
Grants receivable			59,509	78,625
Prepaid expenses			17,627	13,939
Total current assets			<u>2,099,954</u>	<u>2,072,815</u>
Pledges receivable - long-term, net of unamortized discount			195,706	222,654
Deposits			4,755	4,755
Property and equipment, net			<u>7,686</u>	<u>9,493</u>
Total assets			<u><u>\$ 2,308,101</u></u>	<u><u>\$ 2,309,717</u></u>
	<u>Liabilities and Net Assets</u>			
Current Liabilities				
Accounts payable and accrued expenses		\$	29,024	\$ 55,857
IDA match payable			24,559	33,337
Funds held for others			20,765	-
Deferred revenue			51,077	-
Total current liabilities			<u>125,425</u>	<u>89,194</u>
Net Assets				
Unrestricted		\$	1,727,536	1,714,787
Temporarily restricted			455,140	505,736
Total net assets			<u>2,182,676</u>	<u>2,220,523</u>
Total liabilities and net assets			<u><u>\$ 2,308,101</u></u>	<u><u>\$ 2,309,717</u></u>

The accompanying notes are an integral part of the financial statements.

RISE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended April 30, 2013 and 2012

	2013		
	Unrestricted	Temporarily Restricted	Total
Revenue and Other Income			
Contributions	\$ 437,011	\$ 213,974	\$ 650,985
Government grants	209,336	-	209,336
Interest and dividend income	56,229	-	56,229
Change in market value of investments	59,767	-	59,767
Program service fees	17,704	-	17,704
Net assets released from restrictions	264,570	(264,570)	-
Total revenue and other income	<u>1,044,617</u>	<u>(50,596)</u>	<u>994,021</u>
Expenses			
Program	740,489	-	740,489
Management and general	181,742	-	181,742
Fundraising	109,637	-	109,637
Total expenses	<u>1,031,868</u>	<u>-</u>	<u>1,031,868</u>
Change in net assets	12,749	(50,596)	(37,847)
Net assets at beginning of year	<u>1,714,787</u>	<u>505,736</u>	<u>2,220,523</u>
Net assets at end of year	<u>\$ 1,727,536</u>	<u>\$ 455,140</u>	<u>\$ 2,182,676</u>

The accompanying notes are an integral part of the financial statements.

2012		
Unrestricted	Temporarily Restricted	Total
\$ 383,448	\$ 201,140	\$ 584,588
574,919	-	574,919
41,444	-	41,444
14,001	-	14,001
21,100	-	21,100
221,743	(221,743)	-
<u>1,256,655</u>	<u>(20,603)</u>	<u>1,236,052</u>
1,032,870	-	1,032,870
225,013	-	225,013
<u>228,027</u>	<u>-</u>	<u>228,027</u>
<u>1,485,910</u>	<u>-</u>	<u>1,485,910</u>
(229,255)	(20,603)	(249,858)
<u>1,944,042</u>	<u>526,339</u>	<u>2,470,381</u>
<u>\$ 1,714,787</u>	<u>\$ 505,736</u>	<u>\$ 2,220,523</u>

RISE FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended April 30, 2013 and 2012

	2013			Total
	Program	Management and General	Fundraising	
Salaries	\$ 329,212	\$ 72,139	\$ 68,522	\$ 469,873
AmeriCorps stipends	13,203	-	-	13,203
Retirement contributions	27,873	6,108	5,801	39,782
Payroll taxes	25,684	5,628	5,345	36,657
Accounting and auditing	-	29,247	-	29,247
Dues and fees	2,298	1,002	-	3,300
IDA match and expenses	15,014	-	-	15,014
Legal fees	-	88	-	88
Insurance	25,660	5,623	5,341	36,624
Meals and entertainment	5,175	4,200	2,451	11,826
Building rent	42,970	9,416	8,944	61,330
Contract services	68,778	16,563	500	85,841
Scholarships	68,976	-	-	68,976
Miscellaneous	3,496	5,033	-	8,529
Telephone	5,330	1,168	1,109	7,607
Travel	3,462	271	-	3,733
Printing and supplies	42,840	1,505	977	45,322
Training and seminars	10,604	16,168	-	26,772
Equipment and maintenance	21,387	1,879	-	23,266
Postage and delivery	12	2,801	81	2,894
Advertising	11,796	2,071	9,775	23,642
Depreciation	3,798	832	791	5,421
Computer software	12,921	-	-	12,921
Total	\$ 740,489	\$ 181,742	\$ 109,637	\$ 1,031,868

The accompanying notes are an integral part of the financial statements.

2012

Program	Management and General	Fundraising	Total
\$ 407,389	\$ 97,707	\$ 87,753	\$ 592,849
157,690	-	-	157,690
38,591	9,255	8,312	56,158
31,878	7,645	6,866	46,389
-	26,927	-	26,927
470	2,499	86	3,055
23,212	-	-	23,212
-	22	-	22
36,854	8,839	7,939	53,632
10,378	2,894	1,277	14,549
44,149	10,589	9,510	64,248
151,763	12,933	56,675	221,371
-	-	-	-
116	8,144	-	8,260
21,292	5,107	4,586	30,985
12,082	2,046	106	14,234
51,182	3,703	4,240	59,125
6,546	5,061	-	11,607
13,558	16,801	-	30,359
2,593	3,384	157	6,134
3,297	-	39,211	42,508
6,077	1,457	1,309	8,843
13,753	-	-	13,753
<u>\$ 1,032,870</u>	<u>\$ 225,013</u>	<u>\$ 228,027</u>	<u>\$ 1,485,910</u>

RISE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended April 30, 2013 and 2012

	2013	2012
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ (37,847)	\$ (249,858)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	5,421	8,843
Change in market value of investments	(59,767)	(14,001)
Change in Operating Assets and Liabilities:		
Increase (Decrease) in Cash and Cash Equivalents:		
Restricted cash	64,952	(429)
Pledges receivable	12,705	(23,630)
Grants receivable	19,116	61,615
Prepaid expenses	(3,688)	3,172
Accounts payable and accrued expenses	(26,833)	17,102
IDA match payable	(8,778)	(23,340)
Funds held for others	20,765	-
Deferred revenue	51,077	-
Total adjustments	74,970	29,332
Net cash provided by (used for) operating activities	37,123	(220,526)
Cash Flows From (Used For) Investing Activities:		
Purchases of property and equipment	(3,614)	(8,000)
Investment income reinvested	(56,023)	(40,854)
Proceeds from sales of investments	13,297	256,229
Net cash from (used for) investing activities	(46,340)	207,375
Net decrease in cash and cash equivalents	(9,217)	(13,151)
Cash and cash equivalents at beginning of year	464,629	477,780
Cash and cash equivalents at end of year	\$ 455,412	\$ 464,629

The accompanying notes are an integral part of the financial statements.

RISE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

April 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

RISE Foundation, Inc. (the "Foundation") is a non-profit corporation organized under the laws of the State of Tennessee. The Foundation empowers people to become self-sufficient by building and sustaining human and financial assets, and transforms the financial well-being of low-income working people, thereby improving the community.

"Save Up," an individual development account program developed by the Foundation, forms the core of the Foundation's work in wealth creation. The Foundation's other programs include "Goal Card," which encourages students from lower income areas to excel in academics, "Common Cents," a financial education program, and "National Neighbors Silvers", which empowers older adults to make informed decisions about financial products and services.

Method of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributions and Support

The Foundation receives contributions primarily from financial institutions, local foundations, corporations, and individuals. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restriction. When a donor restriction expires in the same year received, revenue is recognized as unrestricted net assets.

In-Kind Donations

Contributions of donated goods and services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically

need to be purchased if not provided by donation, are recorded at their fair market value in the period received. There were no in-kind donations in 2013 or 2012.

Functional Expenses

The costs of providing the programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's time estimates.

Credit Risks

The Foundation's credit risks primarily relate to cash and cash equivalents, investments, and receivables. The Foundation maintains cash balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$250,000. At various times during the year, cash balances exceeded federally insured limits. However, the Foundation maintains its cash with high quality financial institutions which management believes limits these risks.

Fair Value Measurements

The Foundation applies generally accepted accounting principles ("GAAP") for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. See Note 2 for additional disclosures.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Cash

As part of the Payday Loan program, the Foundation was required to deposit an initial security deposit of \$90,000 with Hope Community Credit Union ("Hope"). The Foundation has agreed to reimburse Hope for any loan losses incurred in connection with this program. Any such losses are deducted from the security deposit. The account was closed during 2013 due to the termination of the program. Related losses incurred with the program totaled \$14,453 for 2013.

Additionally, in 2013, restricted cash was received for the Bank on Memphis program for which RISE serves as a fiscal agent in collaboration with the Shelby County Trustee. The balance of restricted cash held at April 30, 2013 and 2012, was \$20,765 and \$85,717, respectively.

Pledges Receivable

Unconditional promises to give, which consist of pledges receivable, are recorded when the pledge is received. Unconditional promises to give due in the following year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are discounted to the present value of their net realizable value, using risk-free interest rates applicable to the years in which promises to give were received. Management does not deem an allowance for doubtful accounts to be necessary.

Property and Equipment

Property and equipment are stated at cost and depreciation is calculated using the straight-line method. The depreciation method is designed to amortize the cost of the assets over their estimated useful lives of 3 to 7 years. The Foundation capitalizes all property and equipment purchases in excess of \$250. Repairs and maintenance costs are expensed as incurred.

IDA Match Payable

“Save Up” is a RISE Foundation Individual Development Account (“IDA”) initiative. IDA is a matched savings account designed to help low-income and low-wealth families accumulate funds for high-return investments in education or job training, home ownership and small business start-up or expansion. Under this concept, participants make monthly deposits of earned income into an IDA account that is opened at a financial institution for a specific period of time (from 6 to 18 months). Public and private dollars are used to “match” the participants’ individual savings at a special rate of 2:1. When the participant has reached their savings goal, funds are withdrawn from the personal IDA account and match account to purchase permissible assets as designated by the Foundation (sponsoring organization). These assets may include items such as homes, post-secondary education, start up or expansion of a micro-enterprise.

At April 30, 2013 and 2012, the Foundation’s liability under this program totaled \$24,559 and \$33,337 respectively.

Funds Held for Others

Funds held for others represent cash held for the Bank on Memphis program for which RISE serves as a fiscal agent in collaboration with the Shelby County Trustee.

Deferred Revenue

Deferred revenue represents unspent grant funds received for the Common Cents program. These funds are recognized as revenue once qualifying expenditures have been made in accordance with the grant terms. Any unused funds are required to be returned to the grantor.

Income Taxes

No provision for federal income taxes is required since the Foundation is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and has been classified as a public charity.

The Foundation files an exempt organization return in the U.S. Federal Jurisdiction. The federal returns for tax years 2009 and beyond remain subject to examination by the taxing authorities.

Advertising

Advertising costs are expensed as incurred and totaled \$23,642 and \$42,508 for the years ended April 30, 2013 and 2012, respectively.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Date of Management's Review

The Foundation evaluated its April 30, 2013 financial statements for subsequent events through September 25, 2013, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, as described below:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities the Foundation has the ability to access.
- Level 2 – Inputs (other than quoted prices within level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3 – Unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

In determining fair values, the Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following tables present investments that are measured at fair value on a recurring basis at April 30:

	April 30, 2013		
	Level 1	Level 3	Total
Fixed income mutual funds	\$ 915,984	\$ -	\$ 915,984
Equity mutual funds	438,562	-	438,562
CFGM	-	68,979	68,979
	<u>\$ 1,354,546</u>	<u>\$ 68,979</u>	<u>\$ 1,423,525</u>

	April 30, 2012		
	Level 1	Level 3	Total
Fixed income mutual funds	\$ 869,419	\$ -	\$ 869,419
Equity mutual funds	386,944	-	386,944
CFGM	-	64,669	64,669
	<u>\$ 1,256,363</u>	<u>\$ 64,669</u>	<u>\$ 1,321,032</u>

Investments consist of funds invested at First Tennessee Bank as well as funds transferred and assigned to the Community Foundation of Greater Memphis ("CFGM"). CFGM has invested approximately 20% of these funds in an equity pool, which is invested in U.S. equities, and approximately 80% in a fixed income pool, which is diversified among bond sectors such as U.S. Government, agency, corporate, and mortgage backed securities. CFGM has agreed to the Foundation's restriction that the income and assets of the fund are to be granted to or used for the benefit of the Foundation.

Although the majority of CFGM's holdings are invested in assets that are valued by quoted prices in active markets, the Foundation does not have access to the CFGM holdings and therefore does not have any observable inputs for CFGM. However, the Foundation does receive quarterly statements from CFGM which show the fair market value and the Foundation's portion of the funds.

The following table presents the fiscal year activity for the CFGM investments (Level 3):

	2013	2012
Beginning balance	\$ 64,669	\$ 62,080
Realized gains	1,216	1,018
Unrealized gains	1,944	440
Purchases, settlements (net)	1,150	1,131
Ending balance	<u>\$ 68,979</u>	<u>\$ 64,669</u>

All realized and unrealized gains are included in the change in net assets in the statements of activities under the caption "change in market value of investments."

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consist of the following at April 30:

	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$ 123,116	\$ 108,873
Receivable within one to five years	203,100	234,475
Less unamortized discount	<u>(7,394)</u>	<u>(11,821)</u>
Net pledges receivable	<u>\$ 318,822</u>	<u>\$ 331,527</u>

Pledges receivable are discounted to net present value using rates ranging from 0.68% to of 1.97% based on the year in which the pledge was made.

NOTE 4 - CONDITIONAL PROMISES TO GIVE

During 2013, the Foundation received the first of two payments of \$62,352 from an organization for the Common Cents program. The second payment is expected to be received in 2014 upon the Foundation's submission of a satisfactory progress report to the grantor.

Additionally, the Foundation received a \$100,000 conditional promise to give from an organization which is contingent upon submittal of satisfactory progress reports on an annual basis. \$20,000 of this promise was received during 2013. The remaining \$80,000 is expected to be received in payments of \$20,000 over the next four years, provided the conditions are met. This donation is restricted for the Save Up program.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30:

	<u>2013</u>	<u>2012</u>
Furniture, fixtures, and equipment	\$ 71,322	\$ 68,263
Leasehold improvements	2,202	2,202
Computer software	<u>8,555</u>	<u>8,000</u>
	82,079	78,465
Less accumulated depreciation and amortization	<u>(74,393)</u>	<u>(68,972)</u>
	<u>\$ 7,686</u>	<u>\$ 9,493</u>

NOTE 6 - DEFINED CONTRIBUTION PLAN

The Foundation sponsors a retirement plan under section 401(k) of the Internal Revenue Code that covers all employees who have attained the age of 21 and have completed at least 6 months of service. Matching contributions are determined by the Foundation each year at its discretion, and totaled \$39,782 and \$56,158, for the years ended April 30, 2013 and 2012, respectively.

NOTE 7 - CONCENTRATIONS

For the years ended April 30, 2013 and 2012, 42% and 50% of the Foundation's contributions, respectively, were from two donors.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes at April 30:

	<u>2013</u>	<u>2012</u>
Time restrictions	\$ 241,166	\$ 322,414
Step Prep Scholarship Fund	-	54,486
Low Income Credit Union/Payday Loan Fund	-	43,122
Goal Card program	182,463	85,714
Common Cents	26,706	-
Building Assets for Fathers & Families	4,805	-
	<u>\$ 455,140</u>	<u>\$ 505,736</u>

NOTE 9 - COMMITMENTS

The Foundation leases property and office equipment according to various lease agreements classified as operating leases. Total rental expense under these agreements was \$66,181 and \$69,628 for the years ended April 30, 2013 and 2012, respectively.

At April 30, 2013, future minimum payments required under non-cancelable lease agreements are as follows:

2014	\$ 64,775
2015	63,396
2016	62,162
2017	5,148
	<u>\$ 195,481</u>