

RISE FOUNDATION, INC.



FINANCIAL STATEMENTS

April 30, 2014 and 2013



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

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statement of Functional Expenses - 2014	5
Statement of Functional Expenses - 2013	6
Statements of Cash Flows	7
Notes to Financial Statements	8



Watkins Uiberall, PLLC
Certified Public Accountants

Independent Member of BKR International

1661 Aaron Brenner Drive • Suite 300
Memphis, Tennessee 38120
901.761.2720 • Fax: 901.683.1120

210 East Main Street • Suite 2C
Tupelo, Mississippi 38804
662.269.4014 • Fax: 662.269.4016

www.wucpas.com

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, 2014 and 2013, 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, 2014 and 2013, 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 4, 2014

RISE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION

April 30, 2014 and 2013

	<u>Assets</u>	
	2014	2013
Current Assets		
Cash and cash equivalents	\$ 291,496	\$ 455,412
Restricted cash	38,125	20,765
Investments	1,491,002	1,423,525
Pledges receivable - current	99,910	123,116
Grants receivable	70,072	59,509
Prepaid expenses	19,410	17,627
Total current assets	2,010,015	2,099,954
Pledges receivable - long-term, net of unamortized discount	59,150	195,706
Deposits	4,755	4,755
Property and equipment, net	3,113	7,686
Total assets	\$ 2,077,033	\$ 2,308,101
	<u>Liabilities and Net Assets</u>	
Current Liabilities		
Accounts payable and accrued expenses	\$ 59,803	\$ 29,024
IDA match payable	49,993	24,559
Funds held for others	38,125	20,765
Deferred revenue	6,797	51,077
Total current liabilities	154,718	125,425
Net Assets		
Unrestricted	\$ 1,604,919	1,727,536
Temporarily restricted	317,396	455,140
Total net assets	1,922,315	2,182,676
Total liabilities and net assets	\$ 2,077,033	\$ 2,308,101

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

RISE FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended April 30, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Other Income						
Contributions	\$ 330,984	\$ 185,936	\$ 516,920	\$ 437,011	\$ 213,974	\$ 650,985
Special events revenue	62,439	-	62,439	-	-	-
Less: Costs of direct benefits to donors	(15,645)	-	(15,645)	-	-	-
Net revenues from special events	<u>46,794</u>	<u>-</u>	<u>46,794</u>	<u>-</u>	<u>-</u>	<u>-</u>
Government grants	113,909	-	113,909	209,336	-	209,336
Interest and dividend income	33,166	-	33,166	56,229	-	56,229
Change in market value of investments	46,510	-	46,510	59,767	-	59,767
Program service fees	6,900	-	6,900	17,704	-	17,704
Net assets released from restrictions	<u>323,680</u>	<u>(323,680)</u>	<u>-</u>	<u>264,570</u>	<u>(264,570)</u>	<u>-</u>
Total revenue and other income	<u>901,943</u>	<u>(137,744)</u>	<u>764,199</u>	<u>1,044,617</u>	<u>(50,596)</u>	<u>994,021</u>
Expenses						
Program	711,394	-	711,394	740,489	-	740,489
Management and general	187,156	-	187,156	181,742	-	181,742
Fundraising	<u>126,010</u>	<u>-</u>	<u>126,010</u>	<u>109,637</u>	<u>-</u>	<u>109,637</u>
Total expenses	<u>1,024,560</u>	<u>-</u>	<u>1,024,560</u>	<u>1,031,868</u>	<u>-</u>	<u>1,031,868</u>
Change in net assets	(122,617)	(137,744)	(260,361)	12,749	(50,596)	(37,847)
Net assets at beginning of year	<u>1,727,536</u>	<u>455,140</u>	<u>2,182,676</u>	<u>1,714,787</u>	<u>505,736</u>	<u>2,220,523</u>
Net assets at end of year	<u>\$ 1,604,919</u>	<u>\$ 317,396</u>	<u>\$ 1,922,315</u>	<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.

RISE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended April 30, 2014

	Program	Management and General	Fundraising	Total
Salaries	\$ 339,793	\$ 68,073	\$ 55,178	\$ 463,044
AmeriCorps stipends	-	-	-	-
Retirement contributions	28,155	5,640	4,572	38,367
Payroll taxes	29,749	5,960	4,830	40,539
Accounting and auditing	-	30,170	-	30,170
Dues and fees	2,563	685	82	3,330
IDA match and expenses	52,350	-	-	52,350
Legal fees	-	42	-	42
Insurance	30,962	6,203	5,028	42,193
Meals and entertainment	4,143	4,250	542	8,935
Building rent	49,591	9,935	8,053	67,579
Contract services	82,475	15,492	4,500	102,467
Scholarships	-	-	-	-
Miscellaneous	2,038	2,155	1,152	5,345
Telephone	3,716	745	603	5,064
Travel	3,082	1,327	38	4,447
Printing and supplies	43,295	839	1,688	45,822
Training and seminars	9,808	13,642	82	23,532
Equipment and maintenance	14,974	1,576	-	16,550
Postage and delivery	1,692	3,519	369	5,580
Advertising	-	1,535	22,497	24,032
Depreciation	3,355	672	545	4,572
Computer software	9,653	96	-	9,749
Special events direct costs	-	-	16,251	16,251
Bad debt	-	14,600	-	14,600
Total	\$ 711,394	\$ 187,156	\$ 126,010	\$ 1,024,560

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

RISE FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended April 30, 2013

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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	<u>\$ 740,489</u>	<u>\$ 181,742</u>	<u>\$ 109,637</u>	<u>\$ 1,031,868</u>

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

RISE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended April 30, 2014 and 2013

	2014	2013
Cash Flows Provided By (Used For) Operating Activities:		
Change in net assets	\$ (260,361)	\$ (37,847)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	4,572	5,421
Change in market value of investments	(46,510)	(59,767)
Bad debt	14,600	-
Change in Operating Assets and Liabilities:		
Increase (Decrease) in Cash and Cash Equivalents:		
Restricted cash	(17,360)	64,952
Pledges receivable	145,162	12,705
Grants receivable	(10,563)	19,116
Prepaid expenses	(1,783)	(3,688)
Accounts payable and accrued expenses	30,779	(26,833)
IDA match payable	25,434	(8,778)
Funds held for others	17,360	20,765
Deferred revenue	(44,280)	51,077
Total adjustments	117,411	74,970
Net cash provided by (used for) operating activities	(142,950)	37,123
 Cash Flows From (Used For) Investing Activities:		
Purchases of property and equipment	-	(3,614)
Investment income reinvested	(33,210)	(56,023)
Proceeds from sales of investments	12,244	13,297
Net cash used for investing activities	(20,966)	(46,340)
 Net decrease in cash and cash equivalents	(163,916)	(9,217)
 Cash and cash equivalents at beginning of year	455,412	464,629
 Cash and cash equivalents at end of year	\$ 291,496	\$ 455,412

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

RISE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

April 30, 2014 and 2013

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.

Basis of Accounting and Financial Statement Presentation

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 ("GAAP").

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Permanently Restricted Net Assets – Permanently restricted net assets represent contributions subject to donor-imposed stipulations to be invested in perpetuity, for which only the income may be available for operations or specific purposes. There were no permanently restricted net assets at June 30, 2014.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent gifts or other revenues wherein donors have specified the purpose for which the net assets are to be spent or time restrictions imposed or implied by the nature of the gift.

Unrestricted Net Assets – Unrestricted net assets are all the remaining net assets of the Foundation that are not subject to donor-imposed restrictions.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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 2014 or 2013.

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 based on estimates made by management.

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 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.

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

In 2013 and 2014, 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, 2014 and 2013, was \$38,125 and \$20,765, 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 \$1,000. 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, 2014 and 2013, the Foundation’s liability under this program totaled \$49,993 and \$24,559, 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

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the financial statements. The Foundation files an exempt organization return in the U.S. Federal Jurisdiction. The federal returns for tax years 2010 and beyond remain subject to examination by the taxing authorities.

Advertising

Advertising costs are expensed as incurred and totaled \$24,032 and \$23,642 for the years ended April 30, 2014 and 2013, respectively.

Date of Management's Review

The Foundation evaluated its April 30, 2014 financial statements for subsequent events through September 4, 2014, the date the financial statements were available to be issued. Other than the event described in Note 4, the Foundation is not aware of any other 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, 2014		
	Level 1	Level 3	Total
Fixed income mutual funds	\$ 985,851	\$ -	\$ 985,851
Equity mutual funds	434,624	-	434,624
CFGM	-	70,527	70,527
	<u>\$ 1,420,475</u>	<u>\$ 70,527</u>	<u>\$ 1,491,002</u>

	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>

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):

	2014	2013
Beginning balance	\$ 68,979	\$ 64,669
Realized gains	2,111	1,216
Unrealized gains (losses)	(1,502)	1,944
Purchases, settlements (net)	939	1,150
Ending balance	<u>\$ 70,527</u>	<u>\$ 68,979</u>

All realized and unrealized gains and losses are reported as change in market value of investments in the statements of activities.

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable consist of the following at April 30:

	<u>2014</u>	<u>2013</u>
Receivable in less than one year	\$ 99,910	\$ 123,116
Receivable within one to five years	61,194	203,100
Less unamortized discount	<u>(2,044)</u>	<u>(7,394)</u>
Net pledges receivable	<u>\$ 159,060</u>	<u>\$ 318,822</u>

Pledges receivable are discounted to net present value using rates ranging from 0.68% to 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. Subsequent to April 30, 2014, the conditions were met and the second payment was received.

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 and another \$20,000 was received during 2014. The remaining \$60,000 is expected to be received in payments of \$20,000 over the next three 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>2014</u>	<u>2013</u>
Furniture, fixtures, and equipment	\$ 71,322	\$ 71,322
Leasehold improvements	2,202	2,202
Computer software	<u>8,555</u>	<u>8,555</u>
	82,079	82,079
Less accumulated depreciation and amortization	<u>(78,966)</u>	<u>(74,393)</u>
	<u>\$ 3,113</u>	<u>\$ 7,686</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 \$38,367 and \$39,782, for the years ended April 30, 2014 and 2013, respectively.

NOTE 7 - CONCENTRATIONS

For the year ended April 30, 2014, 39% of the Foundation's contributions were from one donor. For the year ended April 30, 2013, 42% of the Foundation's contributions were from two donors.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Time restrictions	\$ 131,460	\$ 241,166
Summer Youth Program	8,114	-
Goal Card program	157,290	182,463
Common Cents	20,532	26,706
Building Assets for Fathers & Families	-	4,805
	<u>\$ 317,396</u>	<u>\$ 455,140</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 \$71,692 and \$66,181 for the years ended April 30, 2014 and 2013, respectively.

At April 30, 2014, future minimum payments required under non-cancelable lease agreements are as follows:

2015	\$ 64,846
2016	62,162
2017	5,148
	<u>\$ 132,156</u>