

**RISE UP INDUSTRIES
MARKET ST, LLC
CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 2025**



Pinnacle Accounting
& FINANCIAL SERVICES

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rise Up Industries
Market St, LLC
San Diego, CA

Opinion

We have audited the accompanying consolidated financial statements of Rise Up Industries (a nonprofit organization) and Market St, LLC (collectively "Rise Up Industries"), which comprise the consolidated statements of financial position as of December 31, 2025, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rise Up Industries including Market St, LLC as of December 31, 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Rise Up Industries 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 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Rise Up Industries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rise Up Industries' 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 findings, and certain internal control related matters that we identified during the audit

Report on Summarized Comparative Information

We have previously audited Rise Up Industries' December 31, 2024, financial statements under auditing standards generally accepted in the United States of America, and expressed an unmodified audit opinion on those audited financial statements in our report dated August 19, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on pages 17 and 18 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Pinnacle Accounting & Financial Services

Pinnacle Accounting & Financial Services
Gold River, CA
July 09, 2026

RISE UP INDUSTRIES & MARKET ST, LLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2025
(With Comparative Information for December 31, 2024)

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 558,911	\$ 1,042,010
Accounts receivable	78,388	225,130
Contracts and grants receivable	705,733	15,745
Inventory	154,704	183,359
Prepaid expenses	64,043	7,429
Other assets	<u>14,875</u>	<u>17,011</u>
Total current assets	1,576,655	1,490,684
 NONCURRENT ASSETS:		
Property and Equipment, net	<u>7,695,376</u>	<u>5,245,971</u>
Total noncurrent assets	7,695,376	5,245,971
 TOTAL ASSETS	 \$ <u>9,272,031</u>	 \$ <u>6,736,655</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 217,474	\$ 29,097
Credit cards payable	21,052	21,361
Accrued payroll	<u>152,169</u>	<u>96,867</u>
Total current liabilities	390,695	147,325
 NONCURRENT LIABILITIES:		
Security deposits	5,750	7,249
Mortgage Loan	<u>1,064,900</u>	<u>1,264,900</u>
Total noncurrent liabilities	1,070,650	1,272,149
 TOTAL LIABILITIES	 <u>1,461,345</u>	 <u>1,419,474</u>
 NET ASSETS :		
Without donor restrictions	7,260,569	4,964,917
With donor restrictions	<u>550,117</u>	<u>352,264</u>
Total net assets	<u>7,810,686</u>	<u>5,317,181</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>9,272,031</u>	 \$ <u>6,736,655</u>

See accompanying notes to consolidated financial statements.

RISE UP INDUSTRIES & MARKET ST, LLC
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025

(With Summarized Comparative Information for the Year Ended December 31, 2024)

	Without Donor	With Donor Restrictions	2025 Total	2024 Total
SUPPORT AND REVENUE:				
Government grants	\$ 3,855,894	\$ -	\$ 3,855,894	\$ 2,180,989
Contributions and private grants	1,099,457	666,858	1,766,315	1,829,788
Fundraising revenue	378,867	-	378,867	260,680
Less: fundraising expenses	(80,410)	-	(80,410)	(73,998)
Machine shop operations	276,064	-	276,064	281,839
Contributions of non-financial assets	42,017	-	42,017	149,999
Less: Use of contributions of non-financial assets	(42,017)	-	(42,017)	-
Interest income	12,043	-	12,043	10,505
Silkscreening embroidery revenue	8,952	-	8,952	23,989
Coffee enterprise	7,594	-	7,594	10,303
Miscellaneous revenue	4,811	-	4,811	10,408
Merchandise sales	2,989	-	2,989	1,969
Other sales	2,000	-	2,000	12,150
Rental income	74,273	-	74,273	56,055
Insurance refund	-	-	-	500,000
Recycling revenue	-	-	-	2,363
Net assets released from restrictions	482,685	(482,685)	-	-
 Total support and revenue	 6,125,220	 184,173	 6,309,393	 5,257,039
EXPENSES:				
Program services	3,011,291	-	3,011,291	2,156,972
Management and general	559,444	-	559,444	370,282
Fundraising	245,153	-	245,153	181,528
 Total expenses	 3,815,888	 -	 3,815,888	 2,708,782
 CHANGE IN NET ASSETS	 2,309,332	 184,173	 2,493,505	 2,548,257
 Prior Period Adjustment	 (13,680)	 13,680	 -	 -
 NET ASSETS, BEGINNING	 4,964,917	 352,264	 5,317,181	 2,768,924
 NET ASSETS, ENDING	 \$ 7,260,569	 \$ 550,117	 \$ 7,810,686	 \$ 5,317,181

See accompanying notes to consolidated financial statements.

RISE UP INDUSTRIES & MARKET ST, LLC
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2025
(With Summarized Comparative Information for the Year Ended December 31, 2024)

	Rise Up Industries									Market St, LLC			Total 2025	Total 2024
	Program Services					Supporting								
	Reentry - Machine Shop	Silk Screening	RULA	Coffee	Total Program	Management & General	Fundraising	Total	Program Services	Management & General	Total			
PAYROLL EXPENSES														
Salaries and Wages	\$ 1,337,278	\$ 1,519	\$ 387,482	\$ 472	\$ 1,726,751	\$ 344,467	\$ 192,556	\$ 2,263,774	\$ -	\$ -	\$ -	\$ 2,263,774	\$ 1,400,956	
Payroll Taxes	113,035	88	28,876	45	142,044	25,514	13,647	181,205	-	-	-	181,205	116,564	
Workers compensation insurance	8,771	-	2,421	-	11,192	7,116	1,446	19,754	-	-	-	19,754	23,059	
Employee Benefits	27,091	-	4,323	-	31,414	7,837	4,757	44,008	-	-	-	44,008	15,689	
Total payroll expenses	1,486,175	1,607	423,102	517	1,911,401	384,934	212,406	2,508,741	-	-	-	2,508,741	1,556,268	
OTHER EXPENSES														
Cost of Goods Sold	238,010	9,624	-	7,489	255,123	-	-	255,123	-	-	-	255,123	170,500	
Machine Shop Tools	206,774	-	-	-	206,774	369	-	207,143	-	-	-	207,143	70,317	
Depreciation	126,614	-	83	-	126,697	3,112	49	129,858	59,014	20,534	79,548	209,406	62,116	
Supplies	67,462	10	40,198	27	107,697	9,380	11,915	128,992	-	-	-	128,992	36,824	
Utilities	-	-	-	-	-	-	-	-	69,346	24,005	93,351	93,351	-	
Miscellaneous Expenses	12,456	4	1,456	5	13,921	20,146	5,063	39,130	-	120	120	39,250	175,329	
Accounting and Audit	-	-	-	-	-	38,615	-	38,615	-	-	-	38,615	10,000	
Counseling	30,456	-	7,500	-	37,956	-	-	37,956	-	-	-	37,956	4,500	
Equipment	36,917	-	-	-	36,917	514	-	37,431	-	-	-	37,431	43,309	
Interest Expense	-	-	-	-	-	-	-	-	49,255	17,121	66,376	66,376	76,102	
Meetings and Conferences	5,469	20	21,692	-	27,181	2,458	3,191	32,830	-	-	-	32,830	9,714	
Information Technology	26,719	-	1,857	-	28,576	3,150	1,087	32,813	-	-	-	32,813	8,918	
Occupancy	-	-	-	-	-	8,636	7,558	16,194	-	-	-	16,194	54,012	
Insurance	8,672	-	2,396	-	11,068	2,276	1,448	14,792	3,072	1,068	4,139	18,932	14,872	
Computer Software	8,335	-	671	-	9,006	3,675	2,417	15,098	-	-	-	15,098	18,177	
Repairs and Maintenance	-	-	-	-	-	-	-	-	21,670	7,532	29,202	29,202	330,910	
Property Taxes	-	-	-	-	-	-	-	-	19,331	6,723	26,054	26,054	-	
Property Management Fees	-	-	-	-	-	-	-	-	9,936	3,454	13,390	13,390	-	
Donations	6,400	-	-	-	6,400	-	-	6,400	-	-	-	6,400	41,599	
Business Permits & Fees	917	-	33	-	950	587	19	1,556	-	-	-	1,556	1,920	
Transportation	-	-	-	-	-	1,036	-	1,036	-	-	-	1,036	6,052	
Printing and Postage	-	-	-	-	-	-	-	-	-	-	-	-	4,159	
Staff Development	-	-	-	-	-	-	-	-	-	-	-	-	1,639	
Advertising and Promotion	-	-	-	-	-	-	-	-	-	-	-	-	855	
Case Management	-	-	-	-	-	-	-	-	-	-	-	-	1,643	
Tools for members	-	-	-	-	-	-	-	-	-	-	-	-	9,047	
TOTAL EXPENSES	\$ 2,261,376	\$ 11,265	\$ 498,988	\$ 8,038	\$ 2,779,667	\$ 478,888	\$ 245,153	\$ 3,503,708	\$ 231,624	\$ 80,556	\$ 312,180	\$ 3,815,888	\$ 2,708,782	

See accompanying notes to consolidated financial statements.

RISE UP INDUSTRIES & MARKET ST, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025
(With Comparative Information for the Year Ended December 31, 2024)

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,493,505	\$ 2,548,257
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	209,406	62,116
(Increase) decrease in:		
Accounts receivable	146,742	(141,660)
Contracts and grants receivable	(689,988)	23,469
Inventory	28,655	(79,578)
Prepaid expenses	(56,614)	2,069
Security deposits	-	2,719
Other assets	2,136	11,500
Increase (decrease) in:		
Accounts payable	188,377	(532,434)
Credit cards payable	(309)	14,902
Payroll liabilities	55,302	51,052
Security deposits	(1,499)	7,249
Total adjustments	<u>(117,793)</u>	<u>(578,596)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,375,712</u>	<u>1,969,661</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(2,679,033)	(2,516,645)
Sales of property and equipment	<u>20,222</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,658,811)</u>	<u>(2,516,645)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Movement on notes payable	<u>(200,000)</u>	<u>-</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(200,000)</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(483,099)</u>	<u>(546,984)</u>
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,042,010</u>	<u>1,588,994</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 558,911</u>	<u>\$ 1,042,010</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Cash paid for interest expensed	<u>\$ 33,188</u>	<u>\$ 76,102</u>

See accompanying notes to consolidated financial statements.

RISE UP INDUSTRIES & MARKET ST, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting entity – Rise Up Industries (the “Organization”) was incorporated on May 13, 2013, pursuant to the general nonprofit corporation law of the State of California.

The organization was formed to minimize gang involvement by providing integrated gang prevention, gang intervention and post-detention reentry services for former gang-involved individuals. A key component of the Reentry Program is Machine Shop Enterprise (MSSE), where the Organization prepares formerly incarcerated, previously gang-involved individuals for careers as CNC (Computer Numeric Control) Machine Shop Operators. Members Receive additional wraparound support services, such as counseling, case management, financial literacy, therapy for PTSD, mentoring, education assistance, tattoo removal, and 12-step groups for drug and alcohol recovery. The Organization pays members full-time wages as they work their way through the 18-month program.

The Organization also operates a purchasing program for individuals, churches, and other organizations interested in ordering specialty coffee on a regular basis, as well as a screen printing and embroidery program that produces shirts for organizations.

The Organization provides its programs through its office and machine shop located in San Diego, California.

On August 25, 2022, the Organization formed RUI-Market St, LLC (LLC), which was formed to operate exclusively to further the charitable purpose of its member and cannot be merged with or converted into a for-profit entity.

In November 2022, the LLC purchased the property known as Bryco Business Park, located at 5275 Market Street, San Diego, California. Shortly thereafter, a 50% ownership interest in the property was sold to an unrelated entity. Each owner receives rental income from designated sections of the building. Property-related expenses are shared equally only when they pertain to the entire building; expenses related to a specific section are the responsibility of the respective owner.

Standards of reporting – The Organization prepares its financial statements using the accrual basis method of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not for-Profit Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018.

RISE UP INDUSTRIES & MARKET ST, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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

Net assets without donor restrictions – Net assets which are available for use in general operations and not subject to donor restrictions. These net assets generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets without donor restrictions-board designated – Net assets comprised of resources that the Board of Directors has established as being designated for particular purposes. For purposes of complying with net assets accounting, this fund is included in unrestricted net assets as of December 31, 2025.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Measure of operations – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest earned. Nonoperating activities are limited to resources and other activities considered to be of a more unusual or nonrecurring nature.

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 consolidated financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Cash and cash equivalents – For the purpose of the statements of financial position and cash flows, cash and cash equivalents consist of certificates of deposit and securities with original terms of maturity of less than three months.

Accounts receivable – Accounts Receivable are stated net of an allowance for doubtful accounts. It is the policy of management to review the outstanding accounts receivable at year-end, as well as the bad debt write offs experienced in the past to establish an allowance for doubtful accounts. Accounts receivable consists of trade accounts receivable from sales. Based on the judgment of management and past collection histories, no allowance for doubtful accounts has been recorded as of December 31, 2025.

RISE UP INDUSTRIES & MARKET ST, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Contracts and grants receivable – Contracts and Grants Receivable consist primarily of amounts due from various organizations for on-the-job training subsidies. All such receivables are stated at the amount management expects to collect.

Inventory – Inventory is valued at lower of cost or market value.

Prepaid Expense – Expense items of a nature which will benefit future periods are charged to the prepaid expense account and are amortized over the actual periods benefitted.

Fixed assets – All acquisitions of fixed assets in excess of \$1,500. Machine shop equipment with a cost in excess of \$20,000 is assigned a ten percent salvage value. and all expenditures for repairs, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Fixed assets are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method based on estimated useful lives of the assets which range from three to forty years.

At the time of retirement or other disposition, the cost and accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is reflected in the accompanying statements of activities.

Contributed non-financial assets – The estimated fair value of donated goods and services is recorded in the financial statements. The donated goods are recorded at fair value. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by The Organization. Volunteers provide services throughout the year that are not recognized as contributions since the recognition criteria were not met.

Contributions – Contributions are recognized when the donor makes a promise to give The Organization that is in substance, unconditional. All 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.

Program revenue – Program revenue comprises revenue from various private entities that provide subsidies for on-the job training. These revenues are recognized as the training occurs and the beneficiary of the program receives the benefit. These transactions have been determined not to be exchange transactions.

Rental Income – Rental income is recognized when earned. Amounts received in advance of future rental periods are recorded as deferred income, a liability.

RISE UP INDUSTRIES & MARKET ST, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Government grants – The Organization receives pass-through funding from various non-profit organizations that are subrecipients of state funded and federal funding sources. As the beneficiary of the program receives the benefit, these transactions are determined not to be exchange transactions.

Revenue from contracts with customers – The Organization adopted Financial Accounting Standards Board's (FASB) accounting standards update (ASU) ASU 2014-09, Revenue from Contracts with Customers (Topic 606) effective January 1, 2021. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization generally measures revenue based on the amount of consideration it expects to be entitled for the transfer of goods to a customer, then recognizes this revenue when The Organization satisfies its performance obligations. The Organization evaluates its revenue contracts with customers based on the five-step model under Topic 606: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenue when (or as) each performance obligation is satisfied. In accordance with FASB ASC 606-10-50-14, The Organization has elected not to disclose certain information about its remaining performance obligations, as such obligations relate to contracts with an original expected duration of one year or less.

The Organization has determined that machine shop revenue and other such sales and a portion of revenue received for event sponsorship and tickets represent exchange transactions that must be recognized under ASC 606. The Organization recognized sales at a point in time when the sale occurs and there is a transfer of goods to the customer. The Organization has no further performance obligations related to the sales and there are no additional services required by The Organization. Revenue from sponsorships at events and ticket sales to events is recognized on the date the funds are received. Meals and entertainment are the only performance obligations of more than nominal value for these contracts. Event ticket purchases and sponsorship fees received prior to the event taking place are recognized as deferred revenue and recognized in future periods when the event occurs.

Expense allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes – Rise Up Industries is an organization exempt from federal and California income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d), respectively. The Organization's exempt tax returns may be subject to examination for up to four years for California and three years for the Internal Revenue Service after they are filed. The Organization has evaluated its current tax positions and believes there are no uncertain tax positions for which a reserve would be necessary.

RISE UP INDUSTRIES & MARKET ST, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Concentration of credit risk – Rise Up Industries maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. As of December 31, 2025, the Organization had a total of \$58,994 in excess of the federally insured limit. Management believes The Organization is not exposed to unreasonable risk.

Market St, LLC maintains its cash balance in one financial institution. As of December 31, 2025, the cash balance was fully insured.

Risks and uncertainties – Certain of the Organization's services are governed by grant agreements with private donors and foundations. There can be no assurances that the Organization will be able to obtain future grant agreements as deemed necessary by management. The loss of some of the current grants or the inability to obtain future grants could have an adverse effect on the Organization's financial position and results of activities. Management believes that they will be able to continue obtaining appropriate agreements to fund future operations based on their historical ability to obtain new grant agreements and based on their relationships with continuing donors.

Impairment of long-lived assets – Management assesses the recoverability of its long-lived assets upon the occurrence of a triggering event by determining whether the depreciation of long-lived assets over their remaining lives can be recovered through projected undiscounted future cash flows. The amount of long-lived asset impairment, if any, is measured based on fair value and is charged to operations in the period in which impairment is determined by management. At December 31, 2025, management believes there is no impairment of its long-lived assets. There can be no assurance however, that market conditions will not change or demand for the Organization's services will continue, which could result in impairment of long-lived assets in the future.

Compensated absences – The Organization accrues unpaid vacation and sick time computed in accordance with the Organization's employment policy. Total accrued compensated absence balance as of December 31, 2025, is \$60,374.

Going concern – Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the consolidated financial statements are available to be issued.

Leases – The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities on the balance sheet. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

RISE UP INDUSTRIES & MARKET ST, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025

NOTE 2 – LIQUIDITY AND AVAILABILITY:

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 to date, comprise the following:

	<u>2025</u>
Cash and cash equivalents	\$ 558,911
Receivables	78,388
Contracts and grants receivable	<u>705,733</u>
Total financial assets at year-end	1,343,033
Less those unavailable for general expenditures within one year, due to:	
Donor purpose restricted financial assets	<u>(550,117)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>792,916</u></u>

The Organization maintains a liquid cash balance in checking accounts in an amount necessary to meet anticipated expenditures for at least the next 60 days.

NOTE 3 – PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at December 31, 2025:

	<u>2025</u>
Furniture, fixtures and equipment	\$ 2,034,920
Tenant improvements	4,516,916
Building	1,352,053
Land	<u>334,815</u>
Total	8,238,704
Accumulated depreciation	<u>(543,328)</u>
Net property and equipment	\$ <u><u>7,695,376</u></u>

Depreciation expense for the year ended December 31, 2025, was \$209,406.

RISE UP INDUSTRIES & MARKET ST, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025

NOTE 4 – INCOME TAXES:

The Financial Accounting Standards Board (FASB) FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN 48) which was subsequently included in the FASB Codification as ASC 70, prescribes a recognition threshold and measurement attribute for financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return. Management has evaluated its uncertain tax positions and related income tax contingencies. Management does not believe that any material uncertain tax positions exist.

The Organization is generally exempt from federal income taxation as an organization described in Section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California Revenue and Taxation Code. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Contributions are tax-deductible by the donors.

The Organization is required to report and pay income tax on unrelated business income (UBIT), if any. For the year ended December 31, 2025, the Organization had one source of UBIT, sales of merchandise through the Organization, as follows:

		<u>2025</u>
		Merchandise
		Sales
Revenue	\$	19,535
Cost of Goods Sold		(17,113)
Indirect Expenses		(2,190)
Net Income	\$	<u>232</u>

The Organization's federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed; and the California Franchise Tax Board, generally for four years after they are filed.

NOTE 5 – OPERATING LEASE:

The Organization has evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent The Organization's right to use underlying assets for the lease term, and the lease liabilities represent The Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 30, 2025, was 4.79%.

RISE UP INDUSTRIES & MARKET ST, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025

NOTE 5 – OPERATING LEASE (Continued):

For the year ended, The Organization was obligated for an operating lease located at 5275 Market Street, San Diego, California. The lease commenced on July 1, 2024, and will expire on June 30, 2045. The lease calls for a base monthly rent of \$12,250 and is classified as an operating lease. Cash paid for operating leases for the year ended June 30, 2025, was \$73,500. There were no noncash investing and financing transactions related to leasing.

The Lease obligations for the following fiscal years are as follows:

Year ending December 31,	
2026	\$ 147,000
2027	147,000
2028	147,000
2029	147,000
2030	147,000
Thereafter	<u>2,131,500</u>
Total Lease Payments	2,866,500
Less: Present Value Discount	<u>(998,373)</u>
Total Lease Obligations	\$ <u>1,868,127</u>

Note that lease amounts are considered to be inter-company transactions and have been eliminated on consolidation. See supplementary schedules for additional information.

NOTE 6 – NOTES PAYABLE:

In October 2022, RUI – Market Street LLC entered into a loan agreement with BSW 3750, LLC in the principal amount of \$3,350,000. The loan bears interest at a rate of 6% per annum, calculated on the outstanding principal balance, and requires interest only payments. The full principal amount, together with any accrued and unpaid interest, is due and payable at maturity on December 31, 2032. The principal balance as at June 30, 2025, is \$1,064,900. Interest expense for the year ended June 30, 2025, was \$66,376.

The future minimum payments on the loan are as follows:

Year ending December 31,	Interest	Principal	Total
2026	\$ 63,894	\$ -	\$ 63,894
2027	63,894	-	63,894
2028	63,894	-	63,894
2029	63,894	-	63,894
2030	63,894	-	63,894
Thereafter	<u>111,815</u>	<u>1,064,900</u>	<u>1,176,715</u>
Total	\$ <u>431,285</u>	\$ <u>1,064,900</u>	\$ <u>1,496,185</u>

RISE UP INDUSTRIES & MARKET ST, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	<u>12/31/2024</u>	<u>Additions</u>	<u>Released</u>	<u>12/31/2025</u>
Purpose Restricted:				
Wages and benefits	\$ 16,000	\$ 182,000	\$ (131,631)	\$ 66,369
Equipment and tools	49,032	25,846	(49,032)	25,846
Reentry program	292,455	254,012	(287,456)	259,011
RULA program	7,472	205,000	(13,581)	198,891
Office equipment	985	-	(985)	-
	<u>\$ 365,944</u>	<u>\$ 666,858</u>	<u>\$ (482,685)</u>	<u>\$ 550,117</u>

NOTE 8 – CONCENTRATION OF RISK - REVENUE:

The Organization's operations rely significantly on funding from Machine Shop Operations. During the year ended December 31, 2025, the amount received through this program was \$276,064, approximately 4% of total revenue.

The Organization also receives a significant portion of its revenues from government grants and contributions from donors. The Organization received \$5,622,209 in contributions from such sources, approximately 88% of the total revenue and support during the year ended December 31, 2025.

NOTE 9 – CALSAVERS RETIREMENT PLAN:

The Organization participates in a California State sponsored retirement plan CalSavers, overseen by the California Retirement Savings Board (CRSB). Employees of the Organization can voluntarily contribute to this retirement plan, subject to the eligibility requirements of the CRSB.

NOTE 10 – DATE OF MANAGEMENT'S REVIEW:

The Organization's management has evaluated subsequent events through July 09, 2026, the date the consolidated financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the consolidated financial statements.

SUPPLEMENTARY INFORMATION

RISE UP INDUSTRIES & MARKET ST, LLC
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2025

	Rise Up Industries			Market St, LLC			Total		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations		Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:									
Government grants	\$ 3,855,894	\$ -	\$ 3,855,894	\$ -	\$ -	\$ 3,855,894	\$ -	\$ 3,855,894	
Contributions and private grants	1,099,457	666,858	1,766,315	-	-	1,099,457	666,858	1,766,315	
Fundraising revenue	378,867	-	378,867	-	-	378,867	-	378,867	
Less: fundraising expenses	(80,410)	-	(80,410)	-	-	(80,410)	-	(80,410)	
Machine shop operations	276,064	-	276,064	-	-	276,064	-	276,064	
Rental income	-	-	-	147,773	(73,500)	74,273	-	74,273	
Contributions of non-financial assets	42,017	-	42,017	-	-	42,017	-	42,017	
Less: Use of contributions of non-financial assets	(42,017)	-	(42,017)	-	-	(42,017)	-	(42,017)	
Interest income	12,043	-	12,043	-	-	12,043	-	12,043	
Silkscreening embroidery revenue	8,952	-	8,952	-	-	8,952	-	8,952	
Coffee enterprise	7,594	-	7,594	-	-	7,594	-	7,594	
Miscellaneous revenue	4,811	-	4,811	-	-	4,811	-	4,811	
Merchandise sales	2,989	-	2,989	-	-	2,989	-	2,989	
Other sales	2,000	-	2,000	-	-	2,000	-	2,000	
Gain/Loss from Investment in LLC	(164,407)	-	(164,407)	-	164,407	-	-	-	
Net assets released from restrictions	482,685	(482,685)	-	-	-	482,685	(482,685)	-	
Total support and revenue	5,886,540	184,173	6,070,713	147,773	90,907	6,125,220	184,173	6,309,393	
EXPENSES:									
Program services	2,853,167	-	2,853,167	231,624	(73,500)	3,011,291	-	3,011,291	
Management and general	478,888	-	478,888	80,556	-	559,444	-	559,444	
Fundraising	245,153	-	245,153	-	-	245,153	-	245,153	
Total expenses	3,577,208	-	3,577,208	312,180	(73,500)	3,815,888	-	3,815,888	
CHANGE IN NET ASSETS	2,309,332	184,173	2,493,505	(164,408)	164,407	2,309,332	184,173	2,493,505	
Prior Period Adjustment	(13,680)	13,680	-	-	-	(13,680)	13,680	-	
NET ASSETS, BEGINNING	4,313,866	352,264	4,666,130	3,443,957	(2,792,906)	4,964,917	352,264	5,317,181	
NET ASSETS, ENDING	\$ 6,609,518	\$ 550,117	\$ 7,159,635	\$ 3,279,549	\$ (2,628,499)	\$ 7,260,569	\$ 550,117	\$ 7,810,686	

See independent auditors report.

RISE UP INDUSTRIES & MARKET ST, LLC
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
For the Year Ended December 31, 2025

	<u>Rise Up Industries</u>	<u>Market St, LLC</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 548,739	\$ 10,172	\$ -	\$ 558,911
Accounts receivable	78,388	12,250	(12,250)	78,388
Contracts and grants receivable	705,733	-	-	705,733
Inventory	154,704	-	-	154,704
Prepaid expenses	40,592	23,451	-	64,043
Other assets	14,875	-	-	14,875
Total current assets	<u>1,543,031</u>	<u>45,873</u>	<u>(12,250)</u>	<u>1,576,655</u>
NONCURRENT ASSETS:				
Property and equipment, net	1,571,141	6,124,235	-	7,695,376
ROU asset, net	1,868,127	-	(1,868,127)	-
Funds paid to LLC	4,448,408	-	(4,448,408)	-
Total noncurrent assets	<u>7,887,676</u>	<u>6,124,235</u>	<u>(6,316,535)</u>	<u>7,695,376</u>
TOTAL ASSETS	<u>\$ 9,430,707</u>	<u>\$ 6,170,109</u>	<u>\$ (6,328,785)</u>	<u>\$ 9,272,031</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable	\$ 229,724	\$ -	\$ (12,250)	\$ 217,474
Credit cards payable	21,052	-	-	21,052
Accrued payroll	152,169	-	-	152,169
Lease liability, current portion	147,000	-	(147,000)	-
Total current liabilities	<u>549,945</u>	<u>-</u>	<u>(159,250)</u>	<u>390,695</u>
NONCURRENT LIABILITIES:				
Security deposits	-	5,750	-	5,750
Mortgage loan	-	1,064,900	-	1,064,900
Funds paid from RUI	-	1,819,909	(1,819,909)	-
Lease liability, non-current portion	1,721,127	-	(1,721,127)	-
Total noncurrent liabilities	<u>1,721,127</u>	<u>2,890,559</u>	<u>(3,541,036)</u>	<u>1,070,650</u>
TOTAL LIABILITIES	<u>2,271,072</u>	<u>2,890,559</u>	<u>(3,700,286)</u>	<u>1,461,345</u>
NET ASSETS:				
Without donor restrictions	6,609,518	3,279,549	(2,628,499)	7,260,569
With donor restrictions	550,117	-	-	550,117
Total net assets	<u>7,159,635</u>	<u>3,279,549</u>	<u>(2,628,499)</u>	<u>7,810,686</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,430,707</u>	<u>\$ 6,170,109</u>	<u>\$ (6,328,785)</u>	<u>\$ 9,272,031</u>

See independent auditors report.