

RISE UP INDUSTRIES
FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022



Pinnacle Accounting
& FINANCIAL SERVICES

INDEPENDENT AUDITORS' REPORT

Board of Directors
Rise Up Industries
8530 Roland Acres Rd Santee, California

Opinion

We have audited the accompanying financial statements of Rise Up Industries (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rise Up Industries as of December 31, 2023, 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 Auditors' 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 audits. 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 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 Rise Up Industries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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 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 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 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 December 31, 2022 Financial Statements

Sonnenberg & Company, CPAs has previously audited Rise Up Industries' December 31, 2022, financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated April 20, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pinnacle Accounting & Financial Services

PINNACLE ACCOUNTING AND FINANCIAL SERVICES

Certified Public Accountants

Sacramento, CA

September 16, 2024

RISE UP INDUSTRIES
STATEMENT OF FINANCIAL POSITION
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,574,333	\$ 974,192
Accounts receivable	83,470	120,486
Contracts and grants receivable	39,214	45,934
Inventory	103,781	111,110
Prepaid expenses	9,498	12,553
Security deposits	2,719	2,719
Other assets	12,121	8,985
Total current assets	1,825,136	1,275,979
PROPERTY AND EQUIPMENT, net	393,287	424,433
INVESTMENT IN LLC	622,668	333,296
TOTAL ASSETS	\$ 2,841,091	\$ 2,033,708
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 19,893	\$ 9,342
Credit cards payable	6,459	11,890
Accrued payroll	45,815	22,652
TOTAL LIABILITIES	72,167	43,884
NET ASSETS:		
Without donor restrictions	1,933,182	1,609,607
With donor restrictions	835,742	380,217
Total net assets	2,768,924	1,989,824
TOTAL LIABILITIES AND NET ASSETS	\$ 2,841,091	\$ 2,033,708

See accompanying notes to financial statements.

RISE UP INDUSTRIES
STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions and private grants	\$ 130,568	\$ 893,225	\$ 1,023,793
Government grants	743,714	150,000	893,714
Non-financial assets contributions	52,539	-	52,539
Fundraising revenue	262,461	-	262,461
Less: fundraising expenses	(48,102)	-	(48,102)
Coffee enterprise	11,282	-	11,282
Machine shop operations	310,316	-	310,316
Silkscreening embroidery revenue	23,373	-	23,373
Merchandise sales	3,502	-	3,502
Recycling revenue	1,088	-	1,088
Other sales	600	-	600
Miscellaneous revenue	8,229	-	8,229
Interest income	29,157	-	29,157
Net loss from investment in LLC	(82,341)	-	(82,341)
Net assets released from restrictions	587,700	(587,700)	-
Total support and revenue	2,034,086	455,525	2,489,611
EXPENSES:			
Program services	1,266,515	-	1,266,515
Management and general	303,935	-	303,935
Fundraising	140,061	-	140,061
Total expenses	1,710,511	-	1,710,511
CHANGE IN NET ASSETS	323,575	455,525	779,100
NET ASSETS, BEGINNING	1,609,607	380,217	1,989,824
NET ASSETS, ENDING	<u>\$ 1,933,182</u>	<u>\$ 835,742</u>	<u>\$ 2,768,924</u>

See accompanying notes to financial statements.

RISE UP INDUSTRIES
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions and private grants	\$ 376,159	\$ 547,249	\$ 923,408
Government grants	201,826	74,263	276,089
Non-financial assets contributions	85,765	-	85,765
Fundraising revenue	256,554	2,000	258,554
Less: fundraising expenses	(60,198)	-	(60,198)
Coffee enterprise	9,759	-	9,759
Machine shop operations	540,384	-	540,384
Silkscreening embroidery revenue	23,776	-	23,776
Merchandise sales	2,563	-	2,563
Recycling revenue	2,721	-	2,721
Other sales	7,958	-	7,958
Miscellaneous revenue	8,508	-	8,508
Interest income	1,726	-	1,726
Net loss from investment in LLC	(29,004)	-	(29,004)
Net assets released from restrictions	462,175	(462,175)	-
Total support and revenue	1,890,672	161,337	2,052,009
EXPENSES:			
Program services	1,162,789	-	1,162,789
Management and general	230,229	-	230,229
Fundraising	114,860	-	114,860
Total expenses	1,507,878	-	1,507,878
CHANGE IN NET ASSETS	382,794	161,337	544,131
NET ASSETS, BEGINNING	1,226,813	218,880	1,445,693
NET ASSETS, ENDING	\$ 1,609,607	\$ 380,217	\$ 1,989,824

See accompanying notes to financial statements.

RISE UP INDUSTRIES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

	Program Services					Supporting		
	Machine Shop	Silk Screening	Member Services	Other Program	Total Program	Management & General	Fundraising	Total
PAYROLL EXPENSES								
Salaries and Wages	\$ 291,905	\$ 8,069	\$ 434,241	\$ 22,960	\$ 757,175	\$ 213,994	\$ 92,444	\$ 1,063,613
Payroll Taxes	21,532	610	32,198	762	55,102	16,307	6,814	78,223
Workers compensation insurance	4,745	521	8,942	44	14,252	5,616	692	20,560
Employee Benefits	8,489	-	1,790	-	10,279	1,545	2,758	14,582
Total payroll expenses	326,671	9,200	477,171	23,766	836,808	237,462	102,708	1,176,978
OTHER EXPENSES								
Cost of Goods Sold	199,825	17,882	1,232	5,683	224,622	-	-	224,622
Depreciation	53,205	-	-	-	53,205	374	-	53,579
Machine Shop Tools	51,183	-	-	-	51,183	222	-	51,405
Occupancy	41,476	52	430	156	42,114	8,900	229	51,243
In-Kind Donations	-	-	-	6,650	6,650	450	23,854	30,954
Miscellaneous Expenses	1,836	30	1,785	5,240	8,891	8,792	7,156	24,839
Business Permits & Fees	-	-	-	-	-	18,605	-	18,605
Equipment	15,184	-	-	150	15,334	1,494	-	16,828
Supplies	6,970	-	165	-	7,135	6,957	208	14,300
Computer Software	7,199	-	211	-	7,410	558	4,129	12,097
Legal and Audit	450	-	-	-	450	10,450	-	10,900
Insurance	3,860	80	37	66	4,043	3,504	45	7,592
Printing and Postage	279	134	40	182	635	2,411	1,547	4,593
Counseling	-	-	3,450	-	3,450	-	-	3,450
Staff Development	539	-	1,342	-	1,881	505	-	2,386
Information Technology	19	-	375	169	563	1,619	113	2,295
Meetings and Conferences	825	-	-	415	1,240	731	-	1,971
Transportation	33	848	7	13	901	43	72	1,014
Repairs and Maintenance	-	-	-	-	-	858	-	858
TOTAL EXPENSES	\$ 709,554	\$ 28,226	\$ 486,245	\$ 42,490	\$ 1,266,515	\$ 303,935	\$ 140,061	\$ 1,710,509

See accompanying notes to financial statements.

RISE UP INDUSTRIES
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services					Supporting		
	Machine Shop	Silk Screening	Member Services	Other Program	Total Program	Management & General	Fundraising	Total
PAYROLL EXPENSES								
Salaries and Wages	\$ 251,507	\$ 12,455	\$ 291,945	\$ 2,838	\$ 558,745	\$ 164,678	\$ 55,912	\$ 779,335
Payroll Taxes	19,364	690	21,962	219	42,235	12,703	4,126	59,064
Workers compensation insurance	9,407	194	6,259	39	15,899	1,189	989	18,077
Employee Benefits	8,200	-	-	-	8,200	1,660	2,558	12,418
Total payroll expenses	288,478	13,339	320,166	3,096	625,079	180,230	63,585	868,894
OTHER EXPENSES								
Cost of Goods Sold	316,333	17,105	497	7,851	341,786	35	458	342,279
Depreciation	51,180	-	-	-	51,180	375	-	51,555
Machine Shop Tools	44,702	-	-	-	44,702	54	-	44,756
Occupancy	39,843	52	419	52	40,366	8,734	227	49,327
In-Kind Donations	4,324	-	-	-	4,324	-	29,506	33,830
Miscellaneous Expenses	192	-	1,389	33	1,614	5,200	11,330	18,144
Business Permits & Fees	-	-	-	-	-	416	-	416
Equipment	12,100	-	551	140	12,791	825	-	13,616
Supplies	6,404	-	37	-	6,441	5,750	204	12,395
Computer Software	6,137	-	121	-	6,258	546	3,913	10,717
Legal and Audit	-	-	-	-	-	17,150	-	17,150
Insurance	4,416	57	26	47	4,546	3,938	32	8,516
Printing and Postage	916	411	76	210	1,613	1,275	3,639	6,527
Counseling	-	-	4,650	-	4,650	-	-	4,650
Staff Development	3,546	306	901	-	4,753	742	507	6,002
Information Technology	844	-	601	-	1,445	2,351	39	3,835
Meetings and Conferences	336	-	-	-	336	973	-	1,309
Transportation	132	568	7	27	734	35	-	769
Repairs and Maintenance	-	-	-	-	-	1,500	-	1,500
Advertising and Promotion	-	-	-	-	-	100	1,420	1,520
Case Management	-	-	5,385	-	5,385	-	-	5,385
Direct Program Expenses	4,786	-	-	-	4,786	-	-	4,786
TOTAL EXPENSES	\$ 784,669	\$ 31,838	\$ 334,826	\$ 11,456	\$ 1,162,789	\$ 230,229	\$ 114,860	\$ 1,507,878

See accompanying notes to financial statements.

RISE UP INDUSTRIES
STATEMENT OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 779,100	\$ 544,131
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	53,579	51,555
(Increase) decrease in:		
Accounts receivable	37,016	29,709
Contracts and grants receivable	6,720	22,676
Inventory	7,329	(53,495)
Prepaid expenses	3,055	(5,466)
Other assets	(3,136)	(7,404)
(Increase) decrease in:		
Accounts payable	10,551	(7,424)
Credit cards payable	(5,431)	(5,435)
Payroll liabilities	23,163	(2,439)
Total adjustments	132,846	22,277
NET CASH PROVIDED BY OPERATING ACTIVITIES	911,946	566,408
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(22,433)	(72,617)
Investment in LLC	(289,372)	(333,296)
NET CASH USED IN INVESTING ACTIVITIES	(311,805)	(405,913)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	-	(252,779)
NET CASH USED IN FINANCING ACTIVITIES	-	(252,779)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	600,141	(92,284)
CASH AND CASH EQUIVALENTS, Beginning of year	974,192	1,066,476
CASH AND CASH EQUIVALENTS, End of year	\$ 1,574,333	\$ 974,192

See accompanying notes to financial statements.

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

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 Santee, California.

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 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.

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.

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

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

Net assets (continued) –

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, 2022.

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.

New accounting pronouncements recently adopted – Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets: In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU is meant to improve generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for Not-for-Profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. An NFP will be required to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash and other financial assets.

The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. An NFP will be required to disclose a disaggregation of the amount contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets and additional information for each category of contributed nonfinancial assets.

The amendments in this ASU are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022, and should be applied on a retrospective basis. Early adoption is permitted.

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

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

Disclosures by business entities about government assistance – In October 2021, the FASB Issued ASU 2021-10 Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance, which aims to provide increased transparency by requiring business entities to disclose information about certain types of government assistance they receive in the notes to the financial statements. The disclosure requirements in ASC 832 apply only to transactions with a government that are accounted for by analogizing to either a grant model (for example, in International Accounting Standard (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance), or a contribution model (for example, in ASC 958-605, Not-for-Profit Entities - Revenue Recognition). ASC 832 requires the following disclosures about government assistance transactions in the notes to the annual financial statements:

- Information about the nature of the transactions, including a general description and the form (cash or other assets, for example) in which the assistance has been received.
- The accounting policies used to account for the transactions.
- Line items on the balance sheet and income statement affected by the transactions and the amounts applicable to each financial statement line item in the current reporting period.

Entities are required to provide the new disclosures prospectively for all transactions with a government entity that are accounted for under either a grant or a contribution accounting model and are reflected in the financial statements at the date of initially applying the new amendments, and to new transactions entered after that date. Retrospective application of the guidance is permitted. The guidance in ASU 2021-10 is effective for financial statements of all entities, including private companies, for annual periods beginning after December 15, 2021, with early application permitted.

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 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. As of December 31, 2022, 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, 2023 and 2022.

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

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.

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 – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with a variety of programs. No amounts have been recognized for these services in the statement of activities since the criteria for recognition have not been satisfied.

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.

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

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

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 201-09 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.

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.

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.

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.

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

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

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.

Concentration of credit risk – The Organization held a combined total of \$1,574,334 and \$74,192 at two financial institutions at December 31, 2023 and 2022, respectively. This amount is in excess of the federally insured limit of \$250,000 per depositor. The Organization has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

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, 2022, 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, 2023 and 2022, is \$23,679 and \$7,057, respectively.

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 financial statements are available to be issued.

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

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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,574,333	\$ 974,192
Receivables	83,470	120,486
Contracts and grants receivable	<u>39,214</u>	<u>45,934</u>
 Total financial assets at year-end	 1,697,017	 1,140,612
Less those unavailable for general expenditures within one year, due to:		
Donor purpose restricted financial assets	<u>(835,742)</u>	<u>(380,217)</u>
 Financial assets available to meet cash needs for general expenditures within one year.	 <u>\$ 861,275</u>	 <u>\$ 760,395</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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Furniture, fixtures and equipment	\$ 686,702	\$ 664,368
Tenant improvements	<u>20,222</u>	<u>20,222</u>
 Total	 706,924	 684,590
Accumulated depreciation	<u>(313,637)</u>	<u>(260,156)</u>
 Net property and equipment	 <u>\$ 393,287</u>	 <u>\$ 424,434</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$53,579 and \$51,555, respectively.

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

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 years ended December 31, 2023, and 2022 the Organization had two sources of UBIT, sales of merchandise through the Organization, and another through a disregarded entity for income tax purposes, RUI-Market St, LLC (LLC) (See Note 10) as follows:

	2023		
	Merchandise		
	Sales	LLC	Total
Revenue	\$ 36,552	\$ -	\$ 36,552
Cost of Goods Sold	(27,134)	-	(27,134)
Direct Expenses	-	(82,341)	(82,341)
Indirect Expenses	(12,962)	-	(12,962)
Net Income	<u>\$ (3,544)</u>	<u>\$ (82,341)</u>	<u>\$ (85,885)</u>

	2022		
	Merchandise		
	Sales	LLC	Total
Revenue	\$ 38,777	\$ 33,037	\$ 71,814
Cost of Goods Sold	(24,956)	-	(24,956)
Direct Expenses	-	(62,041)	(62,041)
Indirect Expenses	(18,574)	-	(18,574)
Net Income	<u>\$ (4,753)</u>	<u>\$ (29,004)</u>	<u>\$ (33,757)</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.

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

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consist of the following:

	<u>12/31/2022</u>	<u>Additions</u>	<u>Released</u>	<u>12/31/2023</u>
Purpose Restricted:				
Wages and benefits	\$ 39,225	\$ 198,333	\$ (167,087)	\$ 70,471
Equipment and tools	5,300	124,531	(15,470)	114,361
Reentry program	33,486	20,000	(33,486)	20,000
Prevention program	90,000	82	(90,000)	82
Office equipment	391	4,203	-	4,594
Building expansion and remodel	211,815	696,076	(281,657)	626,234
	<u>\$ 380,217</u>	<u>\$ 1,043,225</u>	<u>\$ (587,700)</u>	<u>\$ 835,742</u>
	<u>12/31/2021</u>	<u>Additions</u>	<u>Released</u>	<u>12/31/2022</u>
Purpose Restricted:				
Wages and benefits	\$ -	\$ 124,972	\$ (85,747)	\$ 39,225
Equipment and tools	4,590	35,091	(34,381)	5,300
Reentry program	3,697	50,000	(20,211)	33,486
Prevention program	-	90,000	-	90,000
Office equipment	706	1,135	(1,450)	391
Building expansion and remodel	209,887	322,314	(320,386)	211,815
	<u>\$ 218,880</u>	<u>\$ 623,512</u>	<u>\$ (462,175)</u>	<u>\$ 380,217</u>

NOTE 6 – OPERATING LEASE:

In November 2019, The Organization entered into a sub-lease agreement for its office space with monthly payments of \$2,719 which expired April 30, 2021. The lease was renewed for an additional year with an option to renew with a 2% monthly increase. The Organization exercised its option to renew effective May 1 2022, for an additional year, expiring May 1, 2023.

Rent expense associated with the month-to-month operating lease was \$34,693 and \$33,944 for the years ended December 31, 2023 and 2022. The future minimum future lease payments under the operating lease is \$17,346 for 2024.

Since the expiration of the lease, the Organization rented on a month-to-month basis until it relocates to 5275 Market Street, San Diego, California. address partially owned by the LLC formed by The Organization (See Note 10). The move is expected to take place in 2024.

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

NOTE 7 – PRIOR PERIOD ADJUSTMENT:

The December 31, 2021 audit report included the following statement of financial items that were reversed in the year ended December 31, 2022:

	Amount
Overstatement of accumulated depreciation	\$ 24,589
Understatement of notes payable	<u>(9,788)</u>
Net accumulative effect	<u>\$ 14,801</u>

NOTE 8 – NOTES PAYABLE:

On September 11, 2020, The Organization obtained an interest-free loan of \$100,000 from MDF Fund I, LP with a maturity date of March 1, 2023. This loan required 12 monthly payments of \$2,777 beginning April 1, 2021, and 12 monthly payments of \$5,555 beginning April 1, 2022. This loan matures on March 1, 2023, at which time all remaining principal is due and payable. This loan was secured by substantially all the Organization's assets and was paid in full during the year ended December 31, 2022.

On May 3, 2021, The Organization obtained an interest-free loan of \$200,000 from MDF Fund I, LP with a maturity date of December 1, 2023. This loan required 27 monthly payments of \$7,407 beginning October 1, 2021, and matures on December 1, 2023, at which time all remaining principal is due and payable. This loan was secured by substantially all the Organization's assets and was paid in full during the year ended December 31, 2022.

NOTE 9 – CONCENTRATION OF RISK - REVENUE:

The Organization's operations rely significantly on funding from Machine Shop Operations. During the years ended December 31, 2023 and 2022, the amount received through this program was \$310,316, and \$540,384 respectively, approximately 12%, and 26% of total revenue.

The Organization's operations also relied significantly on government grants in 2023 and 2022. During the years ended December 31, 2023 and, 2022, The Organization received \$893,714, and \$276,089 respectively in government funding, approximately 36%, and 13% of total revenue.

NOTE 10 – 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.

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

NOTE 11 – INVESTMENT IN LLC:

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 along with another non-related entity. Each entity receives rental income from designated sections of the building and all expenses are divided equally. The LLC's share of this investment in 2022 was a loss of \$29,004, while in 2023, RUI increased the LLC's investment by \$289,372. This LLC has not been audited for the years ended December 31, 2023 and 2022.

Equity in the LLC at December 31, 2023, is as follows:

Initial investment	\$ 362,300
2022 change in equity	<u>(29,004)</u>
Investment in LLC, December 31, 2022	333,296
2023 change in equity	289,372
Investment in LLC, December 31, 2023	<u><u>\$ 622,668</u></u>

NOTE 12 – DATE OF MANAGEMENT’S REVIEW:

The Organization's management has evaluated subsequent events through September 16, 2024, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.