



Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

RISE UP INDUSTRIES

Audited Financial Statements
December 31, 2018

	<u>Page</u>
FINANCIAL AUDIT REPORT	
Independent Auditor's Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-11



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rise Up Industries

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, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 Up Industries as of December 31, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the Rise Up Industries financial statements December 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



July 10, 2019

Sonnenberg & Company, CPAs

RISE UP INDUSTRIES
STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With Summarized Totals for the Year ended December 31, 2017)

	2018 Total	2017 Total
Assets:		
Cash	\$ 259,260	\$ 361,531
Accounts receivable	41,079	17,302
Inventory	3,643	2,421
Prepaid expenses	7,547	7,233
Deposits	60	446
Furniture, fixtures and equipment	391,364	389,636
Tenant improvements	20,222	20,222
Less: accumulated depreciation	<u>(62,535)</u>	<u>(20,004)</u>
 Total Assets	 \$ <u>660,640</u>	 \$ <u>778,787</u>
 Liabilities and Net Assets:		
Liabilities:		
Accounts payable	\$ 4,583	\$ 970
Credit cards payable	502	9,450
Payroll liabilities	22,966	19,637
Deferred revenue	<u>-</u>	<u>50,020</u>
Total Liabilities	<u>28,051</u>	<u>80,077</u>
 Net Assets:		
Without donor restrictions	594,801	698,710
With donor restrictions	<u>37,788</u>	<u>-</u>
Total Net Assets	<u>632,589</u>	<u>698,710</u>
 Total Liabilities and Net Assets	 \$ <u>660,640</u>	 \$ <u>778,787</u>

The Accompanying Notes are an Integral Part of the Financial Statements

RISE UP INDUSTRIES
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018
(With Summarized Totals for the Year ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Other Support:				
Grants and contributions	\$ 457,696	\$ 88,545	\$ 546,241	\$ 460,785
In-kind contributions	3,486	-	3,486	18,811
Fundraising revenue	316	-	316	50
Less: fundraising expenses	(2,872)	-	(2,872)	(50)
Beef jerky enterprise	1,162	-	1,162	624
Coffee enterprise	17,674	-	17,674	18,524
Machine shop operations	128,013	-	128,013	155,163
Silkscreening embroidery revenue	20,603	-	20,603	32,039
Merchandise sales	3,598	-	3,598	1,281
Miscellaneous income	1,960	-	1,960	142
Interest income	159	-	159	137
Net assets released from restrictions	50,757	(50,757)	-	-
Total Revenue and Other Support	682,552	37,788	720,340	687,506
Expenses:				
Program Services:				
Member Services	9,637	-	9,637	3,570
Silkscreening & Embroidery	20,980	-	20,980	29,056
Coffee	17,350	-	17,350	17,347
Machine Shop	596,182	-	596,182	394,088
Other Program	1,210	-	1,210	598
Total Program Services	645,359	-	645,359	444,659
Supporting Services:				
Management and general	131,114	-	131,114	90,477
Fundraising	9,988	-	9,988	5,304
Total Supporting Services	141,102	-	141,102	95,781
Total Expenses	786,461	-	786,461	540,440
Change in Net Assets	\$ (103,909)	\$ 37,788	\$ (66,121)	\$ 147,066
Net Assets - Beginning of Year	698,710	-	698,710	551,644
Net Assets - End of Year	\$ 594,801	\$ 37,788	\$ 632,589	\$ 698,710

The Accompanying Notes are an Integral Part of the Financial Statements

RISE UP INDUSTRIES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018
(With Summarized Totals for the Year ended December 31, 2017)

	2018						2017			
	Program									
	Member Services	Silkscreening Embroidery	Coffee	Machine Shop	Other Program	Total Program	General & Other	Fund Raising	Total All Funds	Total All Funds
Salaries and wages	\$ 975	\$ 1,888	\$ 5,872	363,214	-	\$ 371,949	\$ 81,290	\$ 2,812	\$ 456,051	\$ 280,045
Payroll taxes	88	192	510	31,746	-	32,536	7,299	230	40,065	24,779
Workers compensation insurance	-	-	-	16,755	-	16,755	769	-	17,524	9,486
Total Payroll Expense	1,063	2,080	6,382	411,715	-	421,240	89,358	3,042	513,640	314,310
Advertising and promotion	-	-	-	584	-	584	574	-	1,158	7,605
Bad debt expense	-	86	-	-	-	86	266	-	352	-
Case management	4,977	-	-	-	-	4,977	-	-	4,977	3,570
Cost of goods sold	-	18,227	10,358	34,691	1,201	64,477	(21)	1,292	65,748	65,938
Computer software	-	-	-	12,892	-	12,892	282	-	13,174	-
Counseling	3,575	-	-	-	-	3,575	-	-	3,575	-
Depreciation	-	-	-	37,044	-	37,044	5,487	-	42,531	19,882
Equipment	-	-	217	12,420	-	12,637	984	-	13,621	10,939
Information technology	-	-	-	-	-	-	56	-	56	530
In-kind donations expense	-	-	-	100	-	100	2,975	411	3,486	18,811
Insurance	-	23	15	3,817	-	3,855	3,461	-	7,316	4,965
Legal and audit	-	-	-	-	-	-	6,000	-	6,000	725
Machine shop expenses	-	-	-	12,033	-	12,033	-	-	12,033	19,298
Meals and food	-	-	-	1,370	-	1,370	476	3,231	5,077	2,985
Miscellaneous expenses	22	351	168	5,007	9	5,557	3,957	1,444	10,958	4,495
Occupancy	-	-	-	30,630	-	30,630	12,260	-	42,890	34,110
Printing and postage	-	26	141	311	-	478	839	126	1,443	4,211
Property taxes	-	-	-	4,405	-	4,405	65	-	4,470	900
Repairs and maintenance	-	-	-	3,775	-	3,775	188	-	3,963	1,265
Staff development	-	-	-	720	-	720	567	167	1,454	1,553
Storage	-	-	-	1,189	-	1,189	-	-	1,189	1,204
Supplies	-	-	-	22,691	-	22,691	856	275	23,822	21,057
Support services	-	-	-	788	-	788	2,456	-	3,244	1,480
Tattoo removal expenses	-	-	-	-	-	-	-	-	-	-
Transportation	-	187	69	-	-	256	28	-	284	607
TOTAL - 2018	\$ 9,637	\$ 20,980	\$ 17,350	\$ 596,182	\$ 1,210	\$ 645,359	\$ 131,114	\$ 9,988	\$ 786,461	
TOTAL - 2017	\$ 3,570	\$ 29,056	\$ 17,347	\$ 394,088	\$ 598	\$ 444,659	\$ 90,477	\$ 5,304	\$ 540,440	\$

The Accompanying Notes are an Integral Part of the Financial Statements

RISE UP INDUSTRIES
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(With Summarized Totals for the Year ended December 31, 2017)

	<u>2018 Total</u>	<u>2017 Total</u>
Cash Flows From:		
Operating Activities:		
Change in net assets	\$ (66,121)	\$ 147,066
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	42,531	19,882
(Increase) decrease in:		
Accounts receivable	(23,777)	(4,120)
Pledges receivable	-	50,000
Inventory	(1,222)	(1,758)
Prepaid expenses	(314)	(4,251)
Deposits	386	452
Increase in:		
Accounts payable	3,613	(4,671)
Credit cards payable	(8,948)	9,450
Payroll liabilities	3,329	8,203
Deferred revenue	(50,020)	50,020
Net Cash provided by operating activities	<u>(100,543)</u>	<u>270,273</u>
Investing Activities:		
Additions to property and equipment	<u>(1,728)</u>	<u>(326,427)</u>
Net Cash provided by investing activities	<u>(1,728)</u>	<u>(326,427)</u>
Net Decrease in Cash	(102,271)	(56,154)
Cash at Beginning of Year	<u>361,531</u>	<u>417,685</u>
Cash at End of Year	<u>\$ 259,260</u>	<u>\$ 361,531</u>

The Accompanying Notes are an Integral Part of the Financial Statements

RISE UP INDUSTRIES
Notes to Financial Statements
December 31, 2018

Note 1. Organization and Purpose:

Rise Up Industries (the “Organization”) was incorporated May 13, 2013 pursuant to the general nonprofit corporation law of the State of California. The specific purpose of the Organization is to provide assistance, services (including tattoo removal), counseling, education, mentoring and potentially transitional and/or permanent employment. The target populations for this program are at risk youth, those individuals with previous gang involvement and those men and women who are recently released from incarceration.

Note 2. Summary of Significant Accounting Policies:

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. Essentially, all revenue is recognized when earned and expenses are recognized when incurred.

Net Assets

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

Net Assets Without Donor Restrictions. These are net assets which are available for use in general operations and not subject to donor restrictions. These 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 With Donor Restrictions. These are 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 that 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.

Cash and Cash Equivalents

Rise Up Industries has defined cash and cash equivalents as cash in banks and highly liquid investments with an initial maturity of three months or less.

Inventory

Inventory is valued at lower of cost or market value.

RISE UP INDUSTRIES
Notes to Financial Statements
December 31, 2018

Note 2. Summary of Significant Accounting Policies: (Continued)

Property and Equipment

Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. The cost of purchased assets or fair market value of donated assets is being depreciated using the straight-line method over the estimated useful lives of the related assets, which is five to twelve years for furniture and equipment. Maintenance and repairs are charged to expense as incurred. The Organization capitalizes all expenditures for and donations of property and equipment with a fair value in excess of \$1,500. 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. Total depreciation expense for the year ended December 31, 2018 was \$42,531.

Deferred Revenue

Deferred revenue is recorded for non-contribution revenue received in advance of the date earned. In addition, contributions or grants received are recorded as deferred revenue if they are subject to significant conditions which must be met before they become unconditional.

Contributions

Contributions are recognized when the donor makes a promise to give Rise Up Industries 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.

In-kind Service Contributions

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization may also receive a significant amount of contributed time from volunteers that may not meet the recognition criteria described. No amounts have been reflected in the financial statements for donated services because no objective basis is available to measure the value of such services.

Functional Allocation of Expenses

The costs of providing various services and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Directly identifiable expenses are charged to programs and supporting services benefitted. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Rise Up Industries.

RISE UP INDUSTRIES
Notes to Financial Statements
December 31, 2018

Note 2. Summary of Significant Accounting Policies: (Continued)

Concentration of Credit Risk

The Organization maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Organization has not experienced any loss in such accounts. The Organization believes it is not exposed to any significant credit risk on its cash balances.

Use of Estimates

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

Adoption of new Accounting Pronouncement

Rise Up Industries adopted the Financial Accounting Standards Board's Accounting Standards Update (AUS) No. 2016-14 – Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-for-Profit Entities. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by AU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

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, 2018, 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 for unpaid vacation and sick time computed in accordance with the Organization's employment policy. Total accrued compensated absence balance as of December 31, 2018 is \$3,739.

RISE UP INDUSTRIES
Notes to Financial Statements
December 31, 2018

Note 2. Summary of Significant Accounting Policies: (Continued)

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.

Note 3. Income Taxes:

Rise Up Industries 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 to not be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Contributions are tax-deductible by the donors. However, Rise Up Industries is required to report and pay income tax on unrelated business income, if any. As of the date of the Auditor's Report, Rise Up Industries had not yet filed its tax returns for the year ended December 31, 2018.

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.

Rise Up Industries' 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 4. Property and Equipment:

Property and equipment consisted of the following at December 31, 2018:

	<u>Amount</u>
Furniture, fixtures, and equipment	\$ 391,364
Tenant improvements	<u>20,222</u>
Total Property and Equipment	411,586
Less: accumulated depreciation	<u>(62,535)</u>
Net Property and Equipment	<u>\$ 349,051</u>

RISE UP INDUSTRIES
Notes to Financial Statements
December 31, 2018

Note 5. Operating Leases:

The Organization leases its office space and machine shop operations space under a 24-month lease through May 2019. Future minimum lease payments on this operating lease total \$13,596.

Note 6. Net Assets With Donor Restrictions:

Net assets with donor restrictions at December 31, 2018 are as follows:

<u>Source</u>	<u>12/31/17</u>	<u>Additions</u>	<u>Released</u>	<u>12/31/18</u>
Individual Donations	\$ -	\$ 5,545	\$ (1,845)	\$ 3,700
Corporate Grants	-	5,500	(5,500)	-
Foundation Grants	-	61,500	(27,412)	34,088
Nonprofit Agency Grants	-	16,000	(16,000)	-
Total	\$ -	\$ 88,545	\$ (50,757)	\$ 37,788

Note 7. Concentration of Risk - Revenue:

The Organization's operations rely significantly on funding primarily from Machine Shop Operations. During the year ended December 31, 2018, the amount received through this program was \$128,013, approximately 18% of total revenue.

The Organization's operations also rely significantly on grants and contributions. During the year ended December 31, 2018, one donor contributed \$125,218, approximately 17% of total revenue.

Note 8. Date of Management's Review:

The Organization's management has evaluated subsequent events through July 10, 2019 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.