

**RISE RICHMOND, INC.**  
**CONSOLIDATED FINANCIAL REPORT**  
**August 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Rise Richmond, Inc.  
Richmond, Virginia

### **Opinion**

We have audited the accompanying consolidated financial statements of Rise Richmond, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rise Richmond, Inc. as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits 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 Richmond, Inc. 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.

### **Responsibility of Management for the 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 the 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 Richmond, Inc.'s 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 Responsibility for the Audit of the 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 the Rise Richmond, Inc.'s 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 Richmond, Inc.'s 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.

*Brown, Edwards & Company, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Colonial Heights, Virginia  
March 8, 2024

**RISE RICHMOND, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**August 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 871,341	\$ 2,448,076
Contributions receivable	22,656	5,148
Prepaid expenses and other	20,048	10,113
Property and equipment, net (Note 3)	476,777	539,664
Investments (Notes 2 and 4)	1,029,567	-
Total current assets	<u>2,420,389</u>	<u>3,003,001</u>
<b>NONCURRENT ASSETS</b>		
Operating lease right-of-use assets (Note 5)	<u>41,439</u>	<u>-</u>
Total assets	<u>\$ 2,461,828</u>	<u>\$ 3,003,001</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 59,123	\$ 76,643
Accrued expenses	38,819	56,642
Refundable advance	-	345,105
Current portion of operating lease liabilities (Note 5)	<u>20,101</u>	<u>-</u>
Total Current Liabilities	<u>118,043</u>	<u>478,390</u>
<b>NONCURRENT LIABILITIES</b>		
Operating lease liabilities (Note 5)	<u>19,295</u>	<u>-</u>
Total liabilities	<u>137,338</u>	<u>478,390</u>
<b>NET ASSETS</b>		
Without donor restrictions	2,163,276	2,382,064
With donor restrictions (Note 7)	<u>161,214</u>	<u>142,547</u>
Total net assets	<u>2,324,490</u>	<u>2,524,611</u>
Total liabilities and net assets	<u>\$ 2,461,828</u>	<u>\$ 3,003,001</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**RISE RICHMOND, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year Ended August 31, 2023**

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 2,019,311	\$ 433,448	\$ 2,452,759
Program income	96,377	-	96,377
Café sales	152,811	-	152,811
Less cost of goods sold	<u>(92,870)</u>	<u>-</u>	<u>(92,870)</u>
Net café income	<u>59,941</u>	<u>-</u>	<u>59,941</u>
Net investment return	28,408	-	28,408
Gain on sale of property and equipment	26,002	-	26,002
Payroll Protection Program grant	345,105	-	345,105
Other income	<u>19,313</u>	<u>-</u>	<u>19,313</u>
Total revenue and support	2,594,457	433,448	3,027,905
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Satisfaction of Purpose Restrictions	<u>414,781</u>	<u>(414,781)</u>	<u>-</u>
Total revenues, other support and reclassifications	<u>3,009,238</u>	<u>18,667</u>	<u>3,027,905</u>
<b>FUNCTIONAL EXPENSES</b>			
Program expenses	2,438,425	-	2,438,425
Management and general	448,746	-	448,746
Fundraising	<u>340,855</u>	<u>-</u>	<u>340,855</u>
Total functional expenses	<u>3,228,026</u>	<u>-</u>	<u>3,228,026</u>
Changes in net assets	(218,788)	18,667	(200,121)
<b>NET ASSETS</b>			
Beginning	<u>2,382,064</u>	<u>142,547</u>	<u>2,524,611</u>
Ending	<u>\$ 2,163,276</u>	<u>\$ 161,214</u>	<u>\$ 2,324,490</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**RISE RICHMOND, INC.**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**Year Ended August 31, 2022**

	<b>Without Restrictions</b>	<b>With Restrictions</b>	<b>Total</b>
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 2,469,994	\$ 261,086	\$ 2,731,080
Program income	112,151	-	112,151
Café sales	87,671	-	87,671
Less cost of goods sold	(29,612)	-	(29,612)
Net café income	58,059	-	58,059
Net investment loss	(90)	-	(90)
Employee Retention Credit grant	287,959	-	287,959
Other income	6,509	-	6,509
Total revenue and support	2,934,582	261,086	3,195,668
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Satisfaction of Purpose Restrictions	394,290	(394,290)	-
Total revenues, other support and reclassifications	3,328,872	(133,204)	3,195,668
<b>FUNCTIONAL EXPENSES</b>			
Program expenses	2,166,662	-	2,166,662
Management and general	310,703	-	310,703
Fundraising	314,951	-	314,951
Total functional expenses	2,792,316	-	2,792,316
Changes in net assets	536,556	(133,204)	403,352
<b>NET ASSETS</b>			
Beginning	1,845,508	275,751	2,121,259
Ending	\$ 2,382,064	\$ 142,547	\$ 2,524,611

The Notes to Consolidated Financial Statements are an integral part of this statement.

RISE RICHMOND, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended August 31, 2023

	Program Services				Supporting Services			Total
	After School	Academy	Workforce Development Program	Imago DEI Neighborhood School Scholarships	Program Services Total	Management & General	Fundraising	
Salaries	\$ 219,008	\$ 774,093	\$ 347,941	\$ 9,338	\$ 1,350,380	\$ 214,320	\$ 195,112	\$ 1,759,812
Employee benefits	17,286	85,780	34,571	-	137,637	18,133	17,286	173,056
Payroll taxes	17,741	63,211	29,864	714	111,530	16,759	15,635	143,924
Total salaries and related expenses	254,035	923,084	412,376	10,052	1,599,547	249,212	228,033	2,076,792
Benevolence Fund	50	250	137	-	437	50	159	646
Café cost of goods sold	-	-	92,870	-	92,870	-	-	92,870
Contract services	586	25,037	7,619	-	33,242	104,019	50,700	187,961
Curriculum	-	3,899	-	-	3,899	-	-	3,899
Dues & subscriptions	5,412	16,998	8,077	-	30,487	22,970	8,525	61,982
Insurance	3,719	18,593	7,437	-	29,749	3,719	3,719	37,187
Materials & supplies	11,838	39,035	25,396	-	76,269	6,401	8,173	90,843
Meals & snacks	3,999	55,229	1,302	-	60,530	-	-	60,530
Miscellaneous	323	1,452	2,930	-	4,705	325	1,303	6,333
Occupancy	43,513	133,779	79,045	-	256,337	10,468	8,662	275,467
Office expenses	4,333	8,283	17,296	74	29,986	1,412	10,780	42,178
Postage & delivery	-	-	10	-	10	-	3,381	3,391
Printing & copying	-	175	26	-	201	-	5,394	5,595
Rewards & incentives	13	1,124	122	-	1,259	-	-	1,259
Scholarships	-	-	-	105,227	105,227	-	-	105,227
Service charges & fees	82	5,168	13,260	-	18,510	10,520	118	29,148
Special events & trips	8,229	9,213	7,283	-	24,725	-	10,524	35,249
Staff development	585	3,475	4,467	-	8,527	29,831	338	38,696
Telephone, cable & internet	1,192	2,831	8,195	-	12,218	377	251	12,846
Transportation costs	64,792	58,286	6,320	-	129,398	-	-	129,398
Volunteer & staff appreciation	8,955	2,321	1,886	-	13,162	9,442	795	23,399
Total expenses by function	411,656	1,308,232	696,054	115,353	2,531,295	448,746	340,855	3,320,896
Less expenses included with revenues on the statement of activities								
Café cost of goods sold	-	-	(92,870)	-	(92,870)	-	-	(92,870)
Total expenses included in the expense section on the statement of activities	\$ 411,656	\$ 1,308,232	\$ 603,184	\$ 115,353	\$ 2,438,425	\$ 448,746	\$ 340,855	\$ 3,228,026

The Notes to Consolidated Financial Statements are an integral part of this statement.



RISE RICHMOND, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended August 31, 2022

	Program Services				Supporting Services			Total
	After School	Workforce Development Program	Academy	Imago DEI Neighborhood School Scholarships	Program Services Total	Management & General	Fundraising	
Salaries	\$ 176,612	\$ 409,163	\$ 638,688	\$ 7,662	\$ 1,232,125	\$ 166,235	\$ 160,693	\$ 1,559,053
Employee benefits	17,450	40,718	56,714	-	114,882	16,298	14,542	145,722
Payroll taxes	12,898	29,062	47,540	586	90,086	11,817	12,227	114,130
Total salaries and related expenses	206,960	478,943	742,942	8,248	1,437,093	194,350	187,462	1,818,905
Benevolence Fund	32	74	102	-	208	29	26	263
Café cost of goods sold	-	113,491	-	-	113,491	-	-	113,491
Contract services	4,447	10,377	18,198	-	33,022	39,782	56,011	128,815
Curriculum	215	-	10,160	-	10,375	-	-	10,375
Dues & subscriptions	2,073	6,389	13,192	-	21,654	30,485	13,312	65,451
Interest expense	-	-	-	-	-	5,886	-	5,886
Insurance	1,973	4,603	6,411	-	12,987	1,808	1,644	16,439
Materials & supplies	15,386	35,909	28,336	-	79,631	1,849	916	82,396
Meals & snacks	3,259	879	42,203	-	46,341	-	-	46,341
Miscellaneous	2,691	8,234	657	-	11,582	772	4,538	16,892
Occupancy	20,514	69,462	64,335	-	154,311	12,101	12,101	178,513
Office expenses	5,565	16,305	10,979	300	33,149	6,773	7,140	47,062
Postage & delivery	-	9	17	-	26	1,148	3,875	5,049
Printing & copying	27	1,278	625	-	1,930	-	6,274	8,204
Rewards & incentives	-	-	1,373	-	1,373	-	-	1,373
Scholarships	-	-	-	102,187	102,187	-	-	102,187
Service charges & fees	1,945	28,969	8,414	-	39,328	3,124	6,416	48,868
Special events & trips	7,459	2,388	6,524	-	16,371	-	11,036	27,407
Staff development	4,018	6,343	11,040	-	21,401	9,299	2,321	33,021
Telephone, cable & internet	-	6,860	3,768	-	10,628	419	419	11,466
Transportation costs	57,060	5,589	52,320	-	114,969	-	-	114,969
Volunteer & staff appreciation	10,728	3,253	4,115	-	18,096	2,878	1,460	22,434
Total expenses by function	344,352	799,355	1,025,711	110,735	2,280,153	310,703	314,951	2,905,807
Less expenses included with revenues on the statement of activities								
Café cost of goods sold	-	(113,491)	-	-	(113,491)	-	-	(113,491)
Total expenses included in the expense section on the statement of activities	<u>\$ 344,352</u>	<u>\$ 685,864</u>	<u>\$ 1,025,711</u>	<u>\$ 110,735</u>	<u>\$ 2,166,662</u>	<u>\$ 310,703</u>	<u>\$ 314,951</u>	<u>\$ 2,792,316</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

**RISE RICHMOND, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended August 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (200,121)	\$ 403,352
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	61,714	59,550
Gain on sale of property and equipment	(26,002)	-
Unrealized gain on investment securities	(11,274)	-
Realized loss on sale of investment securities	3,445	1,047
Donated investments	(276,996)	(313,660)
Proceeds from sale of donated investments	273,550	312,613
Amortization of operating lease right-of-use assets	27,728	-
Changes in operating assets:		
Contributions receivable	(17,508)	(3,287)
Prepaid expenses and other	(9,935)	17,026
Changes in operating liabilities:		
Accounts payable	(17,520)	14,081
Accrued expenses	(17,823)	22,277
Operating lease liabilities	(29,771)	-
Refundable advances	(345,105)	-
Net cash provided by (used in) operating activities	(585,618)	512,999
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(12,623)
Proceeds from sale of property and equipment	27,175	-
Purchase of investments	(1,918,206)	-
Proceeds from sale of investments	899,914	-
Net cash used in investing activities	(991,117)	(12,623)
Net change in cash and cash equivalents	(1,576,735)	500,376
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	2,448,076	1,947,700
Ending	\$ 871,341	\$ 2,448,076
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Adoption of FASB ASC 842		
Operating lease right-of-use assets	\$ 69,167	\$ -
Lease liabilities incurred	(69,167)	-
Cash paid to acquire right of use asset	\$ -	\$ -

The Notes to Consolidated Financial Statements are an integral part of these statements.

## RISE RICHMOND, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS August 31, 2023 and 2022

#### Note 1. Nature of Organization and Significant Accounting Policies

##### Consolidation

The consolidated financial statements (collectively, the financial statements) include the accounts of Rise Richmond, Inc. and its wholly-owned subsidiaries, CHAT Properties, LLC and CHAT Properties N Street, LLC (hereafter referred to as the “Organization”).

##### Nature of activities

Rise Richmond, Inc. (hereafter referred to as “RISE”) is a not-for-profit organization that was incorporated under the laws of the Commonwealth of Virginia since 2003. RISE is working to create a world where students have access to excellent, equitable learning opportunities. Since 2003, RISE has partnered with students and families in Richmond’s East End to address barriers to educational opportunities through Rise Academy, Rise After School, and Rise Labs. Donations represent the primary source of revenue for RISE. CHAT Properties, LLC, a wholly-owned subsidiary of RISE, was formed in 2007 for the primary purpose of purchasing and holding real estate used in the operations of RISE. In addition, CHAT Properties N Street, LLC, also a wholly-owned subsidiary of RISE, was formed in 2012 for the primary purpose of purchasing and holding real estate used in the operations of RISE.

A summary of the Organization’s significant accounting policies follows:

##### Basis of accounting

The Organization’s financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) on an accrual basis. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

##### Cash and cash equivalents

For purposes of the statements of cash flows, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months as cash and cash equivalents. The Organization maintains bank accounts in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization had cash balances in a financial institution that exceeded federal depository insurance limits at August 31, 2023 and 2022.

##### Contributions receivable

Contributions receivable is recorded as received. Contributions receivable due in the next year are reflected as current contributions and grants and contributions receivable and are recorded at their net realizable value. Contributions receivable due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises to give are received to discount the amounts. An allowance for uncollectible contributions receivable is provided based on management’s evaluation of potential uncollectible contributions receivable at year end. No allowance for uncollectible accounts has been provided because management has evaluated the receivables and believes they are fully collectible.

**RISE RICHMOND, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 1. Nature of Organization and Significant Accounting Policies (Continued)**

Investments

Investments in money market funds and U.S. Treasury Obligations with readily determinable fair values, are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Net investment return is reported in the statements of activities and consists of dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Property and equipment

Property and equipment with a cost of \$5,000 or more and that have an estimated useful life greater than one year are capitalized at cost, or if donated, at approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to thirty-nine years. Maintenance and repairs are charged to expense when incurred.

Revenue recognition

Contributions which include unconditional promises to give are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Organization reports grants and contributions in the net asset with restrictions class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are released and reclassified to net assets without restrictions in the statements of activities. However, if restrictions on grants and contributions are met in the same reporting period as the grant or contribution is received, the revenues are reported as increases in net assets without restrictions. Interest is recorded when earned.

Program fees include income from tuition, school nutrition program reimbursements and miscellaneous program income. Café revenue is recognized when the sale occurs and is net of any sales taxes charged to customers. Revenue is recognized either when the associated performance obligation is satisfied or at a single point in time when ownership, risk, and rewards transfer, as in sales of merchandise.

Net assets without donor restrictions

The Organization reports assets whose use is not restricted by donors as net assets without donor restrictions. Contributions are available for unrestricted use unless specifically restricted by the donor. In general, the net assets without donor restrictions of the Organization may be used at the discretion of the Organization's management and Board of Directors to support the Organization's purpose and operations.

RISE RICHMOND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2023 and 2022

**Note 1. Nature of Organization and Significant Accounting Policies (Continued)**

Net assets with donor restrictions

The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income taxes

The Organization is exempt from Federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the *Internal Revenue Code*. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. The Organization had no unrelated business income during the years ended August 31, 2023 and 2022. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization follows GAAP regarding *Accounting for Uncertain Tax Positions*. This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the Organization's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The tax years of 2020 to 2022 remain subject to examination by the taxing authorities.

The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of August 31, 2023 and 2022. The Organization includes penalties and interest assessed by income taxing authorities in operating expenses. The Organization did not have penalties and interest expenses for the years ended August 31, 2023 and 2022.

CHAT Properties, LLC and CHAT Properties N Street, LLC are single member LLC entities and therefore considered disregarded entities for tax purposes.

In-kind contributions/expenses

Donated services are recorded at fair market value at the date of the donation. Donated services are recognized in the financial statements at their fair value if the following criteria are met:

- i) The services require specialized skills and the services are provided by individuals possessing those skills, and the services would typically need to be purchased if not donated, or
- ii) The services enhance or create an asset.

RISE RICHMOND, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2023 and 2022

**Note 1. Nature of Organization and Significant Accounting Policies (Continued)**

Although the Organization utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under GAAP.

Functional allocation of expenses

The statements of activities report expenses by both natural and functional classification. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting category when identifiable and possible. General operating costs across nearly all natural categories are allocated based on estimates of time and effort.

Adoption of FASB ASC 842, Leases

Effective September 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. The Organization also elected to use the risk-free rate as its discount rate.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use assets of \$69,167 and operating lease liabilities of \$69,167 as of September 1, 2022. Results for periods beginning prior to September 1, 2022 continue to be reported in accordance with the Organization's historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the Organization's results of operations or cash flows. See Note 5.

**Note 2. Investments**

Investments at August 31, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Investments at fair value:		
Cash - Money Market	\$ 519,140	\$ -
U.S. Treasury Obligations	510,427	-
	<u>\$ 1,029,567</u>	<u>\$ -</u>

**RISE RICHMOND, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 3. Property and Equipment**

Property and equipment at cost, less accumulated depreciation, as of August 31 on the statements of financial position, include the following major classifications:

	<u>2023</u>	<u>2022</u>
Building	\$ 146,406	\$ 146,406
Building improvements	474,928	474,928
Leasehold improvements	12,623	12,623
Furniture and equipment	131,827	137,886
Land	56,833	56,833
Vehicles	<u>110,358</u>	<u>154,487</u>
	932,975	983,163
Less accumulated depreciation	<u>(456,198)</u>	<u>(443,499)</u>
	<u>\$ 476,777</u>	<u>\$ 539,664</u>

Total depreciation expense for the years ended August 31, 2023 and 2022 is \$61,714 and \$59,550, respectively.

**Note 4. Fair Value Measurements**

U.S. GAAP has established a framework to measure fair value and defined the required disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The guidance also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Valuations for assets traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets traded in less active dealer or broker markets, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Valuations are obtained from third-party pricing services for identical or similar assets.

Level 3 – Valuations for assets that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker related transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets.

**RISE RICHMOND, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 4. Fair Value Measurements (Continued)**

The classification of investments by level within the valuation hierarchy as of August 31, 2023 is as follows:

	<b>August 31</b>			
	<b>2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Cash - Money Market	\$ 519,140	\$ 519,140	\$ -	\$ -
U.S. Treasury Obligations	510,427	-	510,427	-
	\$ 1,029,567	\$ 519,140	\$ 510,427	\$ -

**Note 5. Operating Leases**

The Organization leases a café facility in Richmond, Virginia owned by a third party under an operating lease agreement. The original lease had a commencement date of April 19, 2017. The Organization vacated the café premises in September 2020 and on December 11, 2020, the Organization entered into a forbearance agreement whereby the landlord agreed to forbear from exercising its default rights and remedies under the lease with the intention that the Organization would return to the premises on June 1, 2021 to operate the cafe facilities. There was no rent due from September 2020 through May 2021. On June 1, 2021, the Organization entered into a second amendment and lease agreement to lease the facilities through April 30, 2022 with the option to renew the lease for an additional 18-month term and subsequent 24-month term. The Organization plans to exercise both renewal options. In February 2023, the Organization entered into a third amendment and lease agreement on this lease to reduce monthly rent payments by \$750 each month contingent on the Organization providing Daily Trash Pickup. This lease agreement does not include any material residual value guarantees or restrictive covenants. Rent expense on this lease for the year ended August 31, 2022 totaled \$16,489 and is included in occupancy expenses.

The Organization additionally entered into lease agreements in December 2018 and August 2019 for copiers with five-year lease terms. These lease agreements do not include any material residual value guarantees or restrictive covenants. Rent expense on these leases for the year ended August 31, 2022 totaled \$8,116 and is included in dues and subscription expenses.

The Organization entered into a long-term lease with a commencement date of August 1, 2018 that expired on July 31, 2020 for use of a church's facilities. Total rent expense for use of the facilities for the year ended August 31, 2022 totaled \$18,150 and is included in occupancy expenses. The Organization was leasing these facilities on a month-to-month basis for \$3,630 per month through January 31, 2022.

On July 1, 2022, the Organization entered into a new agreement for the use of the church facilities. The initial term of the agreement is for a five-year period through August 31, 2027; however, the agreement allows the Organization to terminate the lease upon ninety days written notice. There is no base rent due under the lease; however, the Organization is required to pay real estate taxes, utilities, and repairs and maintenance on the property during the lease term. The agreement allows the Organization the



**RISE RICHMOND, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 5. Operating Leases (Continued)**

option to purchase the property for \$10 with the obligation that the Organization would be required to enter into a leaseback arrangement with the owner. The total amount of real estate taxes, utilities, and repairs and maintenance expense related to the property for the years ended August 31, 2023 and 2022 totaled \$186,143 and \$9,581, respectively.

The Organization also leases facilities from various individuals and entities, which are currently on a month-to-month basis. Rent expense was \$4,235 and \$7,755 for the fiscal years ended August 31, 2023 and 2022, respectively.

The components of operating lease expense that are included in occupancy expenses in the statement of activities for the year ended August 31, 2023 were as follows:

Operating lease cost	\$26,685
Variable lease cost	\$199,343
Short-term lease cost	\$4,235

Weighted average lease term and discount rate as of June 30, 2023 were as follows:

Weighted average remaining lease term	1.91 years
Weighted average discount interest rate	5.50%

The maturities of operating lease liabilities as of August 31, 2023 were as follows:

2024	\$	21,648
2025		19,789
Total lease payments		<u>41,437</u>
Less: present value discount		<u>(2,041)</u>
Present value of lease liability	\$	<u><u>39,396</u></u>

**Note 6. Note Payable, Line of Credit**

The Organization has a line of credit in the amount of \$500,000, which is secured by substantially all assets of the Organization. The interest rate at August 31, 2023 was 8.50%. This line of credit is due May 8, 2024. There were no outstanding balances on the line of credit as of August 31, 2023 and 2022.

**Note 7. Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes or periods as of August 31:

	<u>2023</u>	<u>2022</u>
EISTC program	\$ 161,214	\$ 142,547
	<u>\$ 161,214</u>	<u>\$ 142,547</u>

**RISE RICHMOND, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 7. Net Assets with Donor Restrictions (Continued)**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by grantors as of August 31 as follows:

	<b>2023</b>	<b>2022</b>
Purpose restriction accomplished:		
EISTC program	\$ 414,781	\$ 392,469
Retail Establishment program	-	1,821
	\$ 414,781	\$ 394,290

**Note 8. Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocable include salaries and related expenses and insurance.

**Note 9. Liquidity and Availability of Financial Assets**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of August 31 are:

	<b>2023</b>	<b>2022</b>
Cash	\$ 871,341	\$ 2,448,076
Grants and contributions receivable	22,656	5,148
Investments	1,029,567	-
Total financial assets	1,923,564	2,453,224
Less financial assets held to meet donor-imposed restrictions for purpose-restricted net assets	(161,214)	(142,547)
Amounts available for general expenditures within one year	\$ 1,762,350	\$ 2,310,677

The Organization has a policy to manage its liquidity following two guiding principles: operating within a prudent range of financial stability and maintaining adequate liquidity to fund near-term operations. Also, to manage liquidity, the Organization maintains a line-of-credit of \$500,000 with a bank that is drawn upon as needed during the year to manage cash flow. See Note 6 for further description of this line.

## RISE RICHMOND, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS August 31, 2023 and 2022

#### Note 10. Other Matter

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. COVID-19 and actions to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. The extent to which the COVID-19 pandemic may impact operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted as of the date of this report. The Organization is adequately capitalized and continues to evaluate operational impacts and implement mitigation tactics where possible and necessary.

In response to the Coronavirus pandemic, Congress established the Paycheck Protection Program (the PPP) to provide relief to small businesses during the Coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. The legislation authorized Treasury to use the Small Business Administration’s (SBA) 7(a) small business lending program to fund loans of up to \$10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities. The Organization applied for the first draw of the PPP and was given a loan in the amount of \$345,105. Interest in the amount of 1% is due and payable at the time of the SBA’s measurement of possible forgiveness. As of August 31, 2021, the Organization had determined that they had substantially met the conditions for loan forgiveness by incurring qualifying expenses of \$333,949 and as such recognized grant income of \$333,949. The first draw was forgiven by the SBA on February 9, 2021 in the amount of \$333,949 and the Organization repaid the \$11,156 that was recorded as a refundable advance as of August 31, 2020.

The Organization applied for a second draw of the PPP and received a loan in amount of \$345,105. The Organization has accounted for the proceeds as a financial liability in accordance with Accounting Standards Codification 958-605, *Not-for-Profit Entities: Revenue Recognition*. Under this standard, a transfer of assets that is a conditional contribution is accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the resource provider. Interest in the amount of 1% is due and payable at the time of the SBA’s measurement of possible forgiveness. The loan was to be repaid within two years from the date of funding of February 17, 2021. The second draw was forgiven by the SBA on April 24, 2023 in the amount of \$345,105 and the Organization recognized \$345,105 of grant income for the year ended August 31, 2023.

On December 27, 2020, the Consolidated Appropriations Act, 2021 was enacted. This legislation, among other things, revised the employee retention credit (ERC), which is a refundable credit against certain employment taxes of up to \$7,000 per employee per calendar quarter from January 1, 2021 through December 31, 2021. Also, the legislation allowed those that received a PPP loan to be eligible to retroactively claim a refundable credit against certain employment taxes of up to \$5,000 per employee from March 13, 2020 to December 31, 2020. The Organization qualified for and received \$287,959 of ERC grant income for the year ended August 31 2022.

**RISE RICHMOND, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**August 31, 2023 and 2022**

**Note 11. Contingencies**

The Organization is involved in various claims and lawsuits arising in the normal course of business. Financial responsibility of such claims and lawsuits is shared by the Organization and various insurance carriers. Management believes that any financial responsibility that may be incurred by the Organization in settlement of such claims and lawsuits would not be material to its financial position.

**Note 12. Subsequent Events**

Effective January 2, 2024, the legal name of the Organization has changed from Church Hill Activities & Tutoring, Inc. to Rise Richmond, Inc.

Management has evaluated subsequent events through March 8, 2024, the date the financial statements were available for issue.