

RISING SUN CENTER FOR OPPORTUNITY
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022)

CONTENTS

	<u>PAGE</u>
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 FINANCIAL STATEMENTS	7-16

INDEPENDENT AUDITOR'S REPORT

June 17, 2024

Board of Directors
Rising Sun Center for Opportunity
Oakland, California

Opinion

I have audited the accompanying financial statements of Rising Sun Center for Opportunity (a nonprofit public benefit corporation), 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rising Sun Center for Opportunity as of December 31, 2023, and the changes in 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Rising Sun Center for Opportunity and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Rising Sun Center for Opportunity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 auditor's report that includes my 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, including omissions, 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, I:

- 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 Rising Sun Center for Opportunity'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 financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rising Sun Center for Opportunity's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Report on Summarized Comparative Information

I have previously audited Rising Sun Center for Opportunity's 2022 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated June 14, 2023. In my 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.



Healy and Associates
Concord, California

RIISING SUN CENTER FOR OPPORTUNITY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2022)

	December 31	
	2023	2022
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,050,402	\$ 4,644,091
Investments	3,186,550	-
Accounts receivable	1,460,907	629,310
Grants and contributions receivable	40,000	250,595
Inventory	21,867	10,179
Prepaid expenses	68,434	37,852
TOTAL CURRENT ASSETS	5,828,160	5,572,027
Fixed assets, net	2,572,371	2,626,055
Right-of-use asset, operating lease	10,173	14,452
Deposits	1,573	7,189
TOTAL ASSETS	<u>\$ 8,412,277</u>	<u>\$ 8,219,723</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 411,539	\$ 301,325
Sabbatical benefit	105,357	98,310
Lease liability, current portion	4,524	4,524
Note payable, current portion	49,787	48,238
TOTAL CURRENT LIABILITIES	571,207	452,397
Lease liability, long-term portion	5,649	9,928
Note payable, long-term portion	1,636,616	1,686,403
TOTAL LIABILITIES	2,213,472	2,148,728
<u>NET ASSETS</u>		
Without donor restrictions:		
Undesignated	4,752,805	4,440,995
Board designated	1,100,000	1,100,000
	5,852,805	5,540,995
With donor restrictions	346,000	530,000
TOTAL NET ASSETS	6,198,805	6,070,995
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,412,277</u>	<u>\$ 8,219,723</u>

See Notes to Financial Statements

RISING SUN CENTER FOR OPPORTUNITY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	Year Ended December 31	
			2023	2022
SUPPORT AND REVENUE				
Government contracts and awards	\$ 3,715,133	\$ -	\$ 3,715,133	\$ 3,530,539
Contributions and awards	254,579	618,500	873,079	1,561,338
ERTC refund	665,703	-	665,703	-
Investment income, net	236,550	-	236,550	-
Corporate contracts	214,340	-	214,340	210,015
In-kind donations	136,451	-	136,451	109,624
Gala fundraising event:				
Gross event proceeds	67,377			
Less direct expenses	<u>(12,367)</u>			
	55,010	-	55,010	-
Other income	37,846	-	37,846	91,711
Gain on forgiveness of PPP loan	-	-	-	331,764
Net assets released from restrictions	<u>802,500</u>	<u>(802,500)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>6,118,112</u>	<u>(184,000)</u>	<u>5,934,112</u>	<u>5,834,991</u>
EXPENSES				
Program	4,082,315	-	4,082,315	3,261,385
General and administration	1,305,203	-	1,305,203	1,105,468
Fundraising	<u>418,784</u>	<u>-</u>	<u>418,784</u>	<u>407,523</u>
Total Expenses	<u>5,806,302</u>	<u>-</u>	<u>5,806,302</u>	<u>4,774,376</u>
Change in net assets	311,810	(184,000)	127,810	1,060,615
NET ASSETS, beginning of year	<u>5,540,995</u>	<u>530,000</u>	<u>6,070,995</u>	<u>5,010,380</u>
NET ASSETS, end of year	<u>\$ 5,852,805</u>	<u>\$ 346,000</u>	<u>\$ 6,198,805</u>	<u>\$ 6,070,995</u>

See Notes to Financial Statements

RISING SUN CENTER FOR OPPORTUNITY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

	Program	General and Administrative	Fundraising	Year Ended December 31	
				2023	2022
Personnel Costs:					
Salaries	\$ 2,071,190	\$ 628,226	\$ 318,325	\$ 3,017,741	\$ 2,511,959
Employee taxes and benefits	314,269	117,841	65,900	498,010	451,084
Total personnel	2,385,459	746,067	384,225	3,515,751	2,963,043
Operating Expenses:					
Professional fees and contractors	952,074	167,208	9,850	1,129,132	739,386
Materials and supplies	189,174	4,050	6,771	199,995	193,611
Stipends	144,911	2,291	-	147,202	67,598
In-kind expenses	20,520	113,351	2,580	136,451	109,624
Occupancy	57,556	70,707	6,004	134,267	178,246
Insurance	37,776	35,888	1,067	74,731	73,832
Depreciation	-	73,237	-	73,237	60,716
Transportation	56,107	3,240	719	60,066	39,389
Interest Expense	46,766	8,986	4,193	59,945	62,607
Licenses, fees, and taxes	15,624	39,686	4,629	59,939	62,815
Other program expenses	58,581	776	20	59,377	11,092
Marketing	41,508	3,985	2,486	47,979	45,289
Communications	24,423	15,686	6,157	46,266	38,480
Office supplies	32,411	4,748	183	37,342	72,288
Equipment rental and maintenance	18,316	124	-	18,440	37,578
Printing and copying	-	7,451	-	7,451	5,977
Miscellaneous	82	6,670	-	6,752	11,003
Membership and subscriptions	1,027	1,052	2,267	4,346	1,802
Total operating	1,696,856	559,136	46,926	2,302,918	1,811,333
Less expenses included with revenues on the statement of activities:					
Direct fundraising expenses	-	-	(12,367)	(12,367)	-
TOTAL EXPENSES	\$ 4,082,315	\$ 1,305,203	\$ 418,784	\$ 5,806,302	\$ 4,774,376

RISING SUN CENTER FOR OPPORTUNITY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

	Year Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 127,810	\$ 1,060,615
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain	(175,317)	-
Gain on forgiveness of PPP loan	-	(331,764)
Depreciation	73,237	60,716
	<u>25,730</u>	<u>789,567</u>
CHANGES IN CURRENT ASSETS AND CURRENT LIABILITIES:		
Accounts, grants, and contributions receivable	(621,002)	497,100
Prepaid expenses	(30,582)	(2,420)
Inventory	(11,688)	29,665
Right-of-use asset	4,279	(14,452)
Deposits	5,616	(5,616)
Accounts payable and accrued expenses	110,214	34,859
Lease liability	(4,279)	14,452
Sabbatical benefit	7,047	21,562
	<u>(514,665)</u>	<u>1,364,717</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in investments	(3,011,233)	-
Purchase of property and equipment	(19,553)	(61,786)
	<u>(3,030,786)</u>	<u>(61,786)</u>
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment on note payable	(48,238)	(45,538)
	<u>(48,238)</u>	<u>(45,538)</u>
NET CASH USED BY FINANCING ACTIVITIES		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,593,689)	1,257,393
CASH AND CASH EQUIVALENTS, beginning of year	4,644,091	3,386,698
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,050,402</u>	<u>\$ 4,644,091</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 59,945</u>	<u>\$ 62,607</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Right-of-use asset	<u>\$ -</u>	<u>\$ 16,570</u>
Operating lease liability for right-of-use asset	<u>\$ -</u>	<u>\$ 16,570</u>

See Notes to Financial Statements

RISING SUN CENTER FOR OPPORTUNITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

NOTE A – GENERAL AND NATURE OF ACTIVITIES

Rising Sun Center for Opportunity (Organization), formerly known as Rising Sun Energy Center, is a California nonprofit public benefit corporation established in 1994. Their mission is to empower individuals to achieve environmental and economic sustainability for themselves and their communities. The Organization has locations in Oakland and Stockton, California.

The Organization operates two main programs:

Climate Careers (CC), formerly California Youth Energy Services, is the youth development and employment program. The CC program is a youth development program with an emphasis on job development skills and communities' ability to withstand and mitigate climate change. The CC program has a core earn-and-learn component, in which CC sets up offices in cities throughout Northern California, hires and trains local youth, and through those youth, provides no-cost energy and water efficiency services (including the installation of measures such as LED light bulbs and efficient shower heads) to residents throughout the area.

Opportunity Build (OB), formerly Green Energy Training Services, provides job training, case management, and job placement support to low-income adults with barriers to employment. Participants go through an intensive, nine-week, hands-on training program in which they learn hard- and soft-skills that prepare them for successful apprenticeship job opportunities in the trades. Following the training program, participants receive supportive services from Rising Sun Center for Opportunity for up to one year. The OB program works extensively with the re-entry population.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Organization are maintained on the accrual basis of accounting. The financial statements of the Organization have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors. A portion of net assets without donor restrictions has been recognized as Board Designated.

RISING SUN CENTER FOR OPPORTUNITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Method and Basis of Presentation (Continued)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates and those differences could be material.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts, Grants, and Contributions Receivable

Accounts, grants, and contributions receivable are comprised of accounts receivable from contract earnings and promises to give expected to be received within one year at their net realizable value. The Organization evaluates the collectability of its receivables on an ongoing basis and records a provision for potential uncollectible receivables when appropriate. Management did not consider an allowance for doubtful accounts necessary as of December 31, 2023.

Inventory

Inventory is comprised of program-related materials and supplies and is stated at the lower of cost or market determined by the first-in first-out method. No allowance for obsolescence was deemed necessary by the Organization.

RISING SUN CENTER FOR OPPORTUNITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Organization's financial instruments include cash and cash equivalents measured as noted below using Level 1. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets are traded, and the reliability of the assumptions used to determine fair value. These levels are:

Level 1— Quoted prices for identical assets in active markets.

Level 2—Observable inputs other than Level 1, which include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Level 3— Unobservable inputs that cannot be corroborated by observable market data.

Fixed Assets

Fixed asset additions are recorded at cost, less accumulated depreciation. Property and equipment acquisitions \$5,000 and greater are capitalized and depreciated over their respective useful lives which range from 5 to 39 years. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

Tax Exemption Status

The Organization has received tax exempt status under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Revenue and Taxation Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Organization earns revenue from cell tower rental income. No provision for income tax has been made on that income as management has determined the amount of tax is minimal and not material to these financial statements taken as a whole.

RISING SUN CENTER FOR OPPORTUNITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Organization is supported primarily through government contracts/awards and contributions.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

A portion of the Organization’s revenue is derived from cost-reimbursable grants and contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant or contract provisions. The Organization has \$5,385,178 in cost-reimbursement grants and contracts that have not been recognized as of December 31, 2023, because performance requirements have not been met and/or qualifying expenditures have not yet been incurred. No amounts have been received in advance under the cost-reimbursable grants and contracts.

Donated Equipment, Supplies and Services (In-kind)

The Organization receives goods and services, which are donated for carrying out the mission of the Organization. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. The Organization received \$136,451 and \$109,624 in donated goods and services during the years ended December 31, 2023 and 2022, respectively.

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Organization. Such expenses which are common to multiple functions have been allocated among the various functions benefited (either based upon square footage or personnel time records.)

RISING SUN CENTER FOR OPPORTUNITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information and Reclassifications

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2022, from which the summarized information was derived.

NOTE C – INVESTMENTS

Investments are comprised of the following as of December 31, 2023:

Mutual funds	\$ 2,062,116
EFTs	1,104,877
Cash, money funds, and bank deposits	19,557
Ending Balance, December 31, 2023	<u>\$ 3,186,550</u>

Activity in investments for the year ended December 31, 2023 is as follows:

Beginning Balance, December 31, 2022	\$ -
Purchases	2,950,000
Interest and other income	70,803
Fees	(9,570)
Unrealized gain	175,317
Ending Balance, December 31, 2023	<u>\$ 3,186,550</u>

NOTE D – CONCENTRATIONS

The Organization's cash and cash equivalents are held primarily by two financial institutions. The amounts for the years ended December 31, 2023 and 2022, in excess of FDIC insurance or without insurance, were approximately \$9,990 and \$3,819,500, respectively.

During the years ended December 31, 2023 and 2022, the Organization received approximately 39% and 38% of its revenue from two funders (24% and 15%) and (24% and 14%), respectively. The loss of this funding could have an impact on the results of operations for the Organization.

In addition, 58% and 54% of receivable at December 31, 2023 and 2022 are due primarily from one funder and three funders (31%, 12% and 11%), respectively.

RISING SUN CENTER FOR OPPORTUNITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)NOTE E – FIXED ASSETS

Depreciation expense for the year ended December 31, 2023 and 2022, was \$73,237 and \$60,716, respectively. At December 31, fixed assets consists of the following:

	<u>2023</u>	<u>2022</u>
Land	\$1,113,200	\$1,113,200
Building and improvements	1,634,730	1,634,730
Furniture, fixtures, computers, and equipment	<u>163,146</u>	<u>147,982</u>
	2,911,076	2,895,912
Less: Accumulated depreciation	<u>(338,705)</u>	<u>(269,857)</u>
Total fixed assets	<u>\$2,572,371</u>	<u>\$2,626,055</u>

NOTE F – NOTE PAYABLE

In May 2018, the Organization purchased a property in Oakland, California and entered into a note payable with a financial institution. During the year ended December 31, 2021, the Organization refinanced the note. Note payable at December 31 consists of the following:

	<u>2023</u>	<u>2022</u>
Note payable in the amount of \$1,800,000, to Heritage Bank, secured by real property, bearing interest at 3.45% per annum, with monthly payments of \$9,012, principal and interest payments amortized over twenty-five years but due July 12, 2031.	\$1,686,403	\$1,734,641
Less: Current portion of long-term debt	<u>(49,787)</u>	<u>(48,238)</u>
Total Long-Term Debt	<u>\$1,636,616</u>	<u>\$1,686,403</u>

The interest expense for the years ended December 31, 2023 and 2022, was \$59,945 and \$62,607, respectively. Annual maturities of long-term debt are as follows

<u>Year Ending December 31</u>	<u>Principal</u>
2024	\$ 49,788
2025	\$ 51,723
2026	\$ 53,561
2027	\$ 55,465
2028	\$ 57,292
2029 and beyond	\$ 1,418,574

RISING SUN CENTER FOR OPPORTUNITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

NOTE G – LINE OF CREDIT

The Organization has a secured \$400,000 revolving line of credit. The interest rate is 0.75% over the index, with a minimum rate of 4.5%, and was 9.25% as of December 31, 2023. The line matures August 2025. At December 31, 2023 the line balance was \$0.

NOTE H – GOVERNMENT COVID RELIEF

In March 2021, the Organization received funding of \$331,764 under the second round of the Payroll Protection Program. During the year ended December 31, 2022, the Organization applied for forgiveness of the Payroll Protection Program funding of \$331,764. Formal forgiveness was received of the full \$331,764 in April 2022. The gain on forgiveness of the loan is reflected in the accompanying statement of activities.

During the year ended December 31, 2023, the Organization filed amended payroll tax returns for the fiscal year ended December 31, 2020 and 2021, as allowed through the Employee Retention Tax Credit (ERTC) and received \$665,703 in refunded tax credits. The revenue from the refundable tax credits are reflected in the accompanying statement of activities.

NOTE I – EMPLOYEE BENEFITS

Employees of the Organization are entitled to paid vacation based on length of service and other factors and gain a vested right to accumulated vacation. Accrued vacation payable at December 31, 2023 and 2022, was \$214,023 and \$163,507, respectively, and is included in the accompanying financial statements.

In addition, employees may participate in a voluntary 403(b) employer sponsored plan (Plan). During the year ended December 31, 2022, the Organization amended the Plan to allow for discretionary employer matching contributions up to 3%. The matching contributions totaled \$47,234 and \$36,788 for the years ended December 31, 2023 and 2022, respectively.

The Organization offers a sabbatical benefit of forty (40) continuous working days after seven years continuous, permanent, full-time employment to employees. The expense is \$7,047 for the year ended December 31, 2023 and the liability accrued is \$105,357 and \$98,310 at December 31, 2023 and 2022, respectively.

NOTE J – BOARD DESIGNATED RESERVE

During the year ended December 31, 2017, the Board of Directors voted to approve a reserve of \$928,330 in net assets without donor restrictions. During the year ended December 31, 2023, the Board approved an increase to the reserve by \$171,670 to \$1,100,000. At December 31, 2023, the balance of net assets with board designations for operations is \$1,100,000.

RISE SUN CENTER FOR OPPORTUNITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)NOTE K – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions had the following activity during the year ended December 31, 2023:

<u>Nature of Restriction</u>	<u>12/31/2022</u>	<u>Income</u>	<u>Releases</u>	<u>12/31/2023</u>
Time restriction	\$ 530,000	\$ 618,500	(\$ 802,500)	\$ 346,000
Total	<u>\$ 530,000</u>	<u>\$ 618,500</u>	<u>(\$ 802,500)</u>	<u>\$ 346,000</u>

NOTE L – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 1,050,402
Investments	3,186,550
Accounts, grants, and contracts receivable	<u>1,500,907</u>
Total financial assets	5,737,859
Less: Amounts not available to be used within one year	(346,000)
Less: Board designated net assets	<u>(1,100,000)</u>
	<u>\$ 4,291,859</u>

As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization's board designated funds are \$1,100,000 at December 31, 2023. Although they do not intend to spend from this board designated fund these amounts could be made available if necessary.

To help manage unanticipated liquidity needs, the Organization has a committed line of credit in the amount of \$400,000, which it could draw upon.

NOTE M – IN-KIND DONATIONS

During the year ended December 31, 2023, the Organization received the following in-kind services which were allocated across program, general and administrative, and fundraising based on usage:

<u>Services Received</u>	<u>Basis for Valuation</u>	<u>Total</u>
Consulting services	FMV stated by donor	\$ 93,750
Legal services	FMV stated by donor	38,351
Goods	FMV	<u>4,350</u>
Total		<u>\$ 136,451</u>

RISING SUN CENTER FOR OPPORTUNITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

NOTE N – LEASES

The Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, Leases, which requires the recognition of a right-of-use asset and a lease liability based on the present value of the remaining lease payments. The Organization elected the 'package of practical expedients', which permitted the Organization not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs; and all of the new standard's available transition practical expedients. In addition, the Organization adopted the practical expedients of using the risk-free interest rate and the short-term lease definition.

The Organization leases office equipment under a non-cancellable lease at a rate of approximately \$432 per month through February 2026.

The Organization has leases which are treated as short-term. They lease office space in Stockton, California under a non-cancellable lease on an annual basis at a rate of approximately \$1,950 per month. The lease was renewed by the client each year and in December 2022 was extended for one year through November 2023. In addition, the Organization leases space for satellite locations during the summertime for programming.

The client used a rate of 6.25% to determine present value. Right-of-use assets were \$10,173 and lease liabilities were \$10,173 as of December 31, 2023. The weighted-average discount rate used to calculate the present value of future minimum lease payments was the risk-free interest rate of 6.25%. The weighted-average lease term was 2.17 years at December 31, 2023.

Lease expense consists of the following for the year ended December 31, 2023:

Operating lease expenses	\$ 5,183
Short-term lease expense	51,597
Total lease expense	<u>\$ 56,780</u>

The total cash amount paid for operating leases was \$5,183 for the fiscal year ended December 31, 2023 with no non-cash component.

Future minimum payments for the fiscal year ended December 31 is as follows:

	Operating Leases	Short-term Leases	Total Commitments
2024	\$ 5,183	\$ -	\$ 5,183
2025	5,183	-	5,183
2026	864	-	864
Total minimum lease payments	11,230	-	11,230
Less: net present value	(1,057)	-	(1,057)
Present value of minimum lease payments	<u>\$ 10,173</u>	<u>\$ -</u>	<u>\$ 10,173</u>

RISING SUN CENTER FOR OPPORTUNITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

NOTE O – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for recognition and disclosure through June 17, 2024, the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2023, that required recognition or disclosure in the financial statements.