

RISING TIDE CAPITAL, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2012 AND 2011

RISING TIDE CAPITAL, INC.

DECEMBER 31, 2012 AND 2011

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5-6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-13
Supplementary Information:	
Schedule of Expenditures of Federal and State Awards	14
Note to the Schedule of Expenditures of Federal and State Awards	15
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17
Schedule of Findings and Questioned Costs.....	18

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Rising Tide Capital, Inc,
Jersey City, New Jersey

We have audited the accompanying financial statements of Rising Tide Capital, Inc. (the "Organization"), a New Jersey nonprofit Corporation, which comprises the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 of 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 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 Rising Tide Capital, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements of Rising Tide Capital, Inc. as a whole. The accompanying schedule of expenditures of federal and state awards on page 14 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2013 on our consideration of Rising Tide Capital, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rising Tide Capital, Inc.'s internal control over financial reporting and compliance.


Certified Public Accountants

Livingston, New Jersey
May 7, 2013

RIISING TIDE CAPITAL, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash	\$ 870,675	\$ 410,979
Grants and contributions receivable	586,372	100,861
Prepaid insurance	12,352	5,864
Total Current Assets	1,469,399	517,704
PROPERTY AND EQUIPMENT, Net	5,834	13,788
OTHER ASSETS:		
Security deposits	2,500	2,500
	<u>\$ 1,477,733</u>	<u>\$ 533,992</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 71,374	\$ 45,637
Deferred revenue	25,000	-
Total Current Liabilities	96,374	45,637
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted	397,359	202,009
Temporarily restricted	984,000	286,346
Total Net Assets	1,381,359	488,355
	<u>\$ 1,477,733</u>	<u>\$ 533,992</u>

RIISING TIDE CAPITAL, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended December 31, 2012			Year Ended December 31, 2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT, REVENUE AND OTHER:						
Program fees	\$ 31,816	\$ -	\$ 31,816	\$ 26,345	\$ -	\$ 26,345
Grants and fees from governmental agencies	406,063	-	406,063	362,335	-	362,335
Contributions	328,233	1,179,000	1,507,233	61,676	507,000	568,676
Donated services	114,217	-	114,217	77,356	-	77,356
Special events income	242,865	-	242,865	70	-	70
Interest income	828	-	828	1,065	-	1,065
Other revenue	2,696	-	2,696	3,009	-	3,009
Total Revenue	1,126,718	1,179,000	2,305,718	531,856	507,000	1,038,856
Net assets released from donor and grantor restrictions	481,346	(481,346)	-	452,964	(452,964)	-
Total Public Support, Revenue and Other	1,608,064	697,654	2,305,718	984,820	54,036	1,038,856
EXPENSES:						
Program services	1,040,630	-	1,040,630	744,476	-	744,476
Fundraising	215,146	-	215,146	110,536	-	110,536
Management and general	156,938	-	156,938	129,018	-	129,018
Total Expenses	1,412,714	-	1,412,714	984,030	-	984,030
CHANGES IN NET ASSETS						
	195,350	697,654	893,004	790	54,036	54,826
Net Assets, Beginning of year	202,009	286,346	488,355	201,219	232,310	433,529
Net Assets, End of year	\$ 397,359	\$ 984,000	\$ 1,381,359	\$ 202,009	\$ 286,346	\$ 488,355

The accompanying notes are an integral part of these financial statements.

RIISING TIDE CAPITAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	Program Services	Fund Raising	Management and General	Total Expenses
Salaries	\$ 544,976	\$ 89,680	\$ 55,187	\$ 689,843
Payroll taxes	40,097	6,598	4,060	50,755
Employee benefits	30,899	6,349	5,080	42,328
Subtotal	615,972	102,627	64,327	782,926
Professional fees	161,475	8,729	48,006	218,210
Occupancy	40,681	8,475	7,345	56,501
Office expenses	16,056	3,345	2,899	22,300
Equipment, software and supplies	28,280	23,289	3,882	55,451
Program seminar and events	134,406	-	-	134,406
Program marketing and outreach	11,816	-	-	11,816
Printing and postage	3,464	1,646	568	5,678
Travel and meetings	5,808	5,556	1,263	12,627
Staff training and professional development	-	1,564	24,504	26,068
Repairs and maintenance	11,721	2,442	2,116	16,279
Insurance	5,066	1,054	915	7,036
Depreciation	5,885	956	1,113	7,953
Fundraising costs	-	55,463	-	55,463
	<u>\$ 1,040,630</u>	<u>\$ 215,146</u>	<u>\$ 156,938</u>	<u>\$ 1,412,714</u>

RIISING TIDE CAPITAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011

	Program Services	Fund Raising	Management and General	Total Expenses
Salaries	\$ 370,607	\$ 60,098	\$ 70,115	\$ 500,820
Payroll taxes	27,974	4,536	5,292	37,802
Employee benefits	30,737	4,985	5,815	41,537
Subtotal	429,318	69,619	81,222	580,159
Professional fees	122,299	19,832	23,138	165,269
Occupancy	29,142	4,726	5,513	39,381
Office expenses	11,477	1,861	2,172	15,510
Equipment, software and supplies	45,252	7,339	8,561	61,152
Program seminar and events	33,796	-	-	33,796
Program marketing and outreach	8,396	-	-	8,396
Printing and postage	9,956	1,614	1,883	13,453
Travel and meetings	5,109	828	967	6,904
Staff training and professional development	20,644	-	59	20,703
Repairs and maintenance	14,233	2,308	2,693	19,234
Insurance	3,420	555	647	4,622
Depreciation	9,218	1,495	1,744	12,457
Interest	110	17	21	148
Fundraising costs	2,106	342	398	2,846
	\$ 744,476	\$ 110,536	\$ 129,018	\$ 984,030

RIISING TIDE CAPITAL, INC.
STATEMENTS OF CASH FLOW

	Year Ended December 31,	
	2012	2011
CASH FLOWS PROVIDED BY (USED FOR) :		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 893,004	\$ 54,826
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	7,953	12,457
Changes in certain assets and liabilities:		
Grants and contributions receivable	(485,511)	51,809
Prepaid insurance	(6,487)	(2,752)
Security deposits	-	(2,500)
Accounts payable and accrued expenses	25,737	16,937
Deferred revenue	25,000	-
Net Cash Provided by Operating Activities	459,696	130,777
<u>INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	-	(6,924)
NET INCREASE IN CASH	459,696	123,853
CASH		
Beginning of year	410,979	287,126
End of year	\$ 870,675	\$ 410,979

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:

Cash paid during the year for interest	\$ -	\$ 148
--	------	--------

RIISING TIDE CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 - NATURE OF ORGANIZATION:

Rising Tide Capital, Inc. (the "Organization") is a corporation organized to facilitate economic development through entrepreneurship. The Organization's mission is to assist struggling entrepreneurs and distressed communities through the development of strong businesses that transform lives, strengthen families and create thriving, sustainable neighborhoods. The Organization's vision is to build a replicable model for high-quality entrepreneurial development services that can be locally adopted in other low-income communities to be used for social and economic empowerment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

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 under the *FASB Accounting Standards Codification*.

Financial Statement Presentation:

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:

Unrestricted Net Assets

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets are those currently available for use by the Organization's Board of Trustees.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

The Organization does not currently have any permanently restricted net assets.

RIISING TIDE CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Grants and Contributions Receivable:

Grants and contributions receivable are stated at the amount management expects to collect from outstanding balances, based on historical trends. The Organization charges uncollectible accounts receivable to operations when determined to be uncollectible. At December 31, 2012 and 2011, an allowance was not deemed necessary.

Property and Equipment:

Fixed assets are recorded at cost on the date of acquisition, or at the fair value of the asset at the date of gift, for donated assets. Property and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 7 years. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs and minor renewals are charged to operations as incurred; significant renewals or maintenance and repairs that are greater than \$2,500 are capitalized when they increase the useful life of the asset.

Contributions:

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

Donated Property, Goods and Services:

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. Donated property, goods and services are recorded as contributions at their estimated fair value at the date of donation.

Functional Allocation of Expenses:

Program services, management and general and fundraising expenses have been recorded in the statements of activities and changes in net assets and on the statements of functional expenses based on both a direct costing methods for those expenses directly attributable to a particular program or on an allocation basis based on the salary percentage of each program to total salaries for joint costs attributable to all functions. The Organization's management allocated general and administrative expenses based upon management's best estimates.

RISEING TIDE CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes:

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the years ended 2012 and 2011. The tax years subject to audit by federal and state jurisdictions are the years ended December 31, 2009 and forward. At December 31, 2012 and 2011, there are no significant income tax uncertainties.

Use of Estimates:

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

Revenue Recognition:

Funds received from various federal, and state agencies represent grants awarded to Rising Tide Capital, Inc. to provide program services. Revenue with respect to these awards is recognized to the extent of expenses incurred under the award terms. Upon completion or expiration of a grant, unexpended funds are not available to Rising Tide Capital, Inc. and must be returned to the awarding agency.

Subsequent Events:

The Organization has evaluated events subsequent to the statement of financial position date as of December 31, 2012 through May 7, 2013, the date that the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

RIISING TIDE CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 3 - PROPERTY AND EQUIPMENT:

Equipment consists of the following:

	December 31,	
	2012	2011
Leasehold improvements	\$ 3,300	\$ 3,300
Furniture and fixtures	1,800	1,800
Computer software and hardware	42,670	42,670
	47,770	47,770
Less: Accumulated depreciation	41,936	33,982
Property and Equipment, Net	<u>\$ 5,834</u>	<u>\$ 13,788</u>

NOTE 4 - NON-CASH DONATIONS:

During the years ended December 31, 2012 and 2011, the Organization received non-cash donations of property, goods and services and free use of facilities that have been reflected in the accompanying financial statements.

The amount of donated facilities, goods and services for the years ended December 31, 2012 and 2011 was \$114,217 and \$77,356, respectively, which included \$75,423 and \$48,188 of in-kind contributions of professional services. Amounts have been recorded in the accompanying financial statements for the fair value of the donated facilities for various program and administrative functions, which amounted to \$17,950 and \$7,400 for the years ended December 31, 2012 and 2011, respectively.

The Organization also regularly receives services from volunteers who are not acting in a professional capacity; such volunteer services do not meet the criteria for financial statement recognition and are not included in the financial statements.

RIISING TIDE CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 5 - LEASE COMMITMENT:

Effective October 18, 2011, the Organization entered into an operating lease agreement for office space. The lease is a five-year agreement which is due to expire on October 17, 2016. Rent is payable in monthly installments of \$2,500 through October 2012. The rent is increased during each subsequent twelve-month period of the term by four percent (4%).

Rent expense was \$30,245 and \$26,500 for the years ended December 31, 2012 and 2011, respectively.

The Organization is obligated for future minimum lease payments as follows:

<u>Year Ended December 31,</u>	
2013	\$ 31,455
2014	31,713
2015	34,022
2016	27,926
Total	<u>\$126,116</u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS:

At December 31, 2012 and 2011, the Organization has \$984,000 and \$286,346, respectively, in temporarily restricted net assets comprised of contributions restricted by time.

NOTE 7 - RETIREMENT PLAN:

The Organization established a 401(k) retirement plan that covers substantially all employees meeting the Plan's eligibility requirements. Employees' contributions to the Plan are via payroll deduction and the Organization does not match employee contributions.

RISING TIDE CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 8 - CONCENTRATIONS OF RISK:

Support and Revenue:

The Organization received a substantial portion of its revenues from federal and state programs. The Organization received approximately 25% and 35% for the years ended December 31, 2012 and 2011, respectively, from government grants. A material reduction of such support could have a significant impact on the Organization's operations. Management, however, does not expect that its support will be materially reduced. The Organization is also subject to audits by certain State and Federal agencies which may result in findings based on various issues. Anticipation of potential audit results is currently not determinable. Accordingly, no accruals have been recorded in the financial statements for any adjustments that might be required based on potential future audits.

Cash:

The Organization maintains cash balances at various financial institutions, which at times, may be in excess of federally insured limits.

NOTE 9 - TAX RETURNS:

At December 31, 2012, all required tax returns have been filed.

RISEING TIDE CAPITAL, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA Number	Grant Period	Grant ID Number	Program Award Amount	Current Year Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
Passed through Community Development Agencies:					
Block Grants:					
Jersey City	14.218	4/1/11 - 3/31/12 4/1/12 - 3/31/13 9/1/12 - 8/31/13	53-200-56-851-631 54-200-56-851-631	\$ 150,000 127,500 125,000	\$ 99,873 127,500 32,588
Enterprise and Economic Development Initiative	14.514	11/1/11 - 9/30/12	N/A	80,000	60,000
U.S. SMALL BUSINESS ADMINISTRATION					
Program for Investment in Microentrepreneurs Act of 1999 ("PRIME")	59.05	9/30/09 - 9/29/12 9/30/12 - 9/29/13	SBAHQ-09-Y-0115/002 SBAHQ-09-Y-0115/003	67,000 40,400	47,080 14,023
Total Federal Awards				589,900	381,064
NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY					
Technical Assistance to Small Businesses	N/A	2/1/12 - 1/1/13	2011-RFQ/P-045	25,000	25,000
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE					
AmeriCorps Vista Project	N/A	7/29/12 - 7/27/13	11VSANJ002	10,000	-
Total Federal and State Awards				\$ 624,900	\$ 406,064

See independent auditors' report.

RISEING TIDE CAPITAL, INC.
NOTE TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2012

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey OMB Circular Letter 04-04. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Rising Tide Capital, Inc.
Jersey City, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Rising Tide Capital, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated May 7, 2013.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Member of However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and on compliance and other matters, and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance and other matters. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Sobel & Co., LLC". The signature is stylized and fluid, with a long horizontal line extending from the end.

Certified Public Accountants

Livingston, New Jersey
May 7, 2013

RISEING TIDE CAPITAL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012

I. Summary of Auditors' Results

Financial Statements

The auditors' report issued on the basic financial statements of Rising Tide Capital, Inc. was an unmodified opinion.

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes _____ X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes _____ X No
- Noncompliance material to financial statements noted? _____ Yes _____ X No

The auditors' report issued on compliance for major programs was an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 and NJ OMB Circular Letter 04-04

_____ Yes _____ X No

The following state programs were designated as major programs:

<u>CFDA Number</u>	<u>Grant Number</u>	<u>Name of Federal Program or Cluster</u>
--------------------	---------------------	---

None noted

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as a low-risk auditee?

_____ X Yes _____ No

II. Financial Statement Findings

NONE

III. Compliance Findings

NONE

IV. Follow-up of Prior Year Audit Findings

NONE