

SOBEL & CO. LLC
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY

DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rising Tide Capital, Inc. and Subsidiary ("Organization"), a New Jersey nonprofit corporation, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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. These standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017 and 2016, 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.

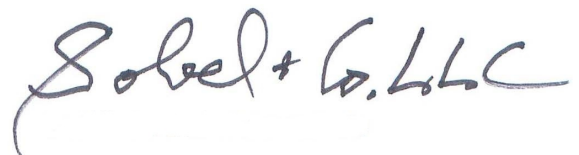
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the Organization as a whole. The accompanying schedules of expenditures of federal and state awards on pages 17 and 18 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular Letter 15-08, and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 9, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the Organization's internal control over financial reporting and compliance.



Certified Public Accountants

Livingston, New Jersey
May 9, 2018

RIISING TIDE CAPITAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,027,482	\$ 1,483,142
Grants receivable, short-term	2,825,000	2,165,000
Accounts and contributions receivable	354,800	279,558
Prepaid expenses and other current assets	84,461	16,625
Total Current Assets	6,291,743	3,944,325
PROPERTY AND EQUIPMENT, Net	319,878	771
GRANTS RECEIVABLE, LONG-TERM, Net	-	728,155
OTHER ASSETS:		
Security deposits	36,955	33,485
	<u>\$ 6,648,576</u>	<u>\$ 4,706,736</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 218,817	\$ 105,071
Deferred revenue	35,590	26,754
Line of credit	354	-
Total Current Liabilities	254,761	131,825
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted	910,253	735,361
Temporarily restricted	5,483,562	3,839,550
Total Net Assets	6,393,815	4,574,911
	<u>\$ 6,648,576</u>	<u>\$ 4,706,736</u>

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	December 31,	
	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS:		
PUBLIC SUPPORT, REVENUE AND OTHER:		
Program fees	\$ 58,878	\$ 55,500
Grants and fees from governmental agencies	454,616	403,370
Contributions	370,224	333,806
Donated services	283,442	274,893
Interest income	9,444	7,141
Other revenue	42,721	101,034
Total Revenue	1,219,325	1,175,744
Net assets released from donor and grantor restrictions	3,307,988	2,464,473
Total Public Support, Revenue and Other	4,527,313	3,640,217
EXPENSES:		
Program services	3,297,573	2,745,931
Fundraising	577,988	501,153
Management and general	476,860	350,257
Total Expenses	4,352,421	3,597,341
INCREASE IN UNRESTRICTED NET ASSETS	174,892	42,876
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
PUBLIC SUPPORT, REVENUE AND OTHER:		
Contributions	4,952,000	4,515,687
Net assets released from donor and grantor restrictions	(3,307,988)	(2,464,473)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	1,644,012	2,051,214
INCREASE IN TOTAL NET ASSETS	1,818,904	2,094,090
Net Assets, Beginning of year:		
Unrestricted net assets	735,361	692,485
Temporarily restricted net assets	3,839,550	1,788,336
Total Net Assets, Beginning of year	4,574,911	2,480,821
Net Assets, End of year:		
Unrestricted net assets	910,253	735,361
Temporarily restricted net assets	5,483,562	3,839,550
Total Net Assets, End of year	\$ 6,393,815	\$ 4,574,911

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services	Fundraising	Management and General	Total Expenses
Salaries	\$ 1,121,508	\$ 363,922	\$ 26,726	\$ 1,512,156
Payroll taxes	81,982	26,872	1,934	110,788
Employee benefits	207,487	56,491	2,540	266,518
Subtotal	1,410,977	447,285	31,200	1,889,462
Professional fees	753,341	55,834	420,030	1,229,205
Research and publication	442,659	-	-	442,659
Occupancy	72,422	19,009	13,093	104,524
Office expenses	6,379	2,377	2,275	11,031
Equipment, software and supplies	63,898	8,385	3,742	76,025
Program seminar and events	375,784	24	-	375,808
Program marketing and outreach	61,155	1,732	327	63,214
Printing and postage	31,870	6,297	181	38,348
Travel and meetings	29,993	19,615	643	50,251
Staff training and professional development	21,579	8,890	248	30,717
Repairs and maintenance	18,649	4,927	200	23,776
Fundraising costs	-	1,220	-	1,220
Insurance	6,719	1,757	4,541	13,017
Depreciation	622	142	7	771
Interest	1,526	494	373	2,393
	\$ 3,297,573	\$ 577,988	\$ 476,860	\$ 4,352,421

RIISING TIDE CAPITAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services	Fundraising	Management and General	Total Expenses
Salaries	\$ 975,216	\$ 312,594	\$ 73,806	\$ 1,361,616
Payroll taxes	71,693	22,776	5,319	99,788
Employee benefits	186,998	58,115	20,803	265,916
Subtotal	1,233,907	393,485	99,928	1,727,320
Professional fees	641,795	44,836	221,178	907,809
Research and publication	275,000	-	-	275,000
Occupancy	70,151	20,019	8,231	98,401
Office expenses	4,921	1,095	5,381	11,397
Equipment, software and supplies	72,760	8,346	6,325	87,431
Program seminar and events	275,939	1,523	1,008	278,470
Program marketing and outreach	46,305	1,316	1	47,622
Printing and postage	29,837	4,355	1,433	35,625
Travel and meetings	21,392	9,852	3,044	34,288
Staff training and professional development	31,952	2,164	186	34,302
Repairs and maintenance	31,657	9,065	2,879	43,601
Fundraising costs	350	2,221	-	2,571
Insurance	6,052	1,794	601	8,447
Depreciation	3,913	1,082	62	5,057
	<u>\$ 2,745,931</u>	<u>\$ 501,153</u>	<u>\$ 350,257</u>	<u>\$ 3,597,341</u>

RIISING TIDE CAPITAL, INC. AND SUBSIDIARY **CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,	
	2017	2016
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 1,818,904	\$ 2,094,090
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation	771	5,057
Changes in certain assets and liabilities:		
Grants receivable	68,155	(2,643,155)
Accounts receivable	(75,242)	200,305
Prepaid expenses and other current assets	(67,836)	94,565
Security deposits	(3,470)	(26,585)
Accounts payable and accrued expenses	113,746	(76,960)
Deferred revenue	8,836	(151,827)
Net Cash Provided by (Used for) Operating Activities	<u>1,863,864</u>	<u>(504,510)</u>
<u>INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	(319,878)	(3,855)
Net Cash Used for Investing Activities	<u>(319,878)</u>	<u>(3,855)</u>
<u>FINANCING ACTIVITIES:</u>		
Proceeds from line of credit	100,000	-
Payments on line of credit	(99,646)	-
Net Cash Provided by Financing Activities	<u>354</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	1,544,340	(508,365)
CASH		
Beginning of year	<u>1,483,142</u>	<u>1,991,507</u>
End of year	<u><u>\$ 3,027,482</u></u>	<u><u>\$ 1,483,142</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the year for interest	<u><u>\$ 2,393</u></u>	<u><u>\$ -</u></u>

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 - NATURE OF ORGANIZATION:

Rising Tide Capital, Inc. and Subsidiary (“Organization”), a New Jersey nonprofit corporation, is 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 vibrant, 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-wealth communities and also be used as a catalyst for social and economic empowerment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of Rising Tide Capital, Inc. and 1217 Kennedy Blvd LLC. Intercompany transactions and balances have been eliminated upon consolidation.

1217 Kennedy Blvd LLC, a single-member Limited Liability Corporation (“LLC”) with Rising Tide Capital, Inc. as the single member, was created to purchase a building in Bayonne, New Jersey. The building purchased is included in construction in progress in the accompanying consolidated statements of financial position until the building is ready for occupancy.

Basis of Accounting:

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Net assets not subject to donor-imposed stipulations and 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 consolidated statements of activities as net assets released from restrictions.

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Financial Statement Presentation: (Continued)

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.

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, 2017 and 2016, an allowance was deemed not 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.

Deferred Revenue:

Deferred revenue consists of advances received from a private grantor which are conditional upon meeting specified performance criteria and amounts received in advance of services being performed. Revenue will be recognized in future periods when the performance criteria are met or when services are performed. At December 31, 2017 and 2016, deferred revenue amounted to \$35,590 and \$26,754, respectively.

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 consolidated statements of activities as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as when they are received are reported as unrestricted support.

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Revenue Recognition:

Funds received from various federal and state agencies represent grants awarded to the Organization 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 the Organization and must be returned to the awarding agency.

Donated Property, Goods and Services:

Amounts are reported in the consolidated financial statements for voluntary donations of services when those services create or enhance nonfinancial 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 consolidated statements of activities and changes in net assets and on the consolidated statements of functional expenses based on both a direct cost method 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.

Income Taxes:

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

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's consolidated 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 derecognition, 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 2017 and 2016. At December 31, 2017 and 2016, 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Financial Statement Reporting for Not-for-Profit Entities:

The Financial Accounting Standards Board issued an accounting pronouncement, *Presentation of Financial Statements of Not-for-Profit Entities*, that will require net assets to be presented in two classes instead of three. The two classes will be net assets with donor restrictions and net assets without donor restrictions. Additional enhanced disclosures will be required to present the amounts and purposes of Board designations, composition of net assets with donor restrictions and how the restrictions affect the use of resources.

It also requires the Organization to communicate qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date. Additional enhanced disclosures will also be required to provide information on how the Organization allocates costs. The pronouncement is effective for annual reporting periods beginning after December 15, 2017. It will be effective for the year ending December 31, 2018. The Organization is currently evaluating the effect that the new standard will have on its consolidated financial statements.

Reclassifications:

Certain amounts have been reclassified in the 2016 financial statements to conform to the 2017 presentation. This has no effect on the change in net assets.

NOTE 3 - ACCOUNTS AND CONTRIBUTIONS RECEIVABLE:

Accounts and contributions receivable consist of the following:

	December 31,	
	2017	2016
Pledges receivable	\$ 25,000	\$ 26,500
Accounts receivable	263,373	42,186
Other receivables	66,427	210,872
	<u>\$ 354,800</u>	<u>\$ 279,558</u>

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 4 - GRANTS RECEIVABLE:

Grants receivable are all from non-government sources and are expected to be received as follows:

	December 31,	
	2017	2016
In less than one year	\$ 2,825,000	\$ 2,165,000
In one to five years	-	750,000
Grants receivable	2,825,000	2,915,000
Less: unamortized discount	-	(21,845)
Net Grants Receivable	2,825,000	2,893,155
Less: Short-term grants receivable	(2,825,000)	(2,165,000)
Net Long-term Grants Receivable	\$ -	\$ 728,155

Grants receivable with due dates extending beyond one year are discounted at 3%. There are no long-term grants at December 31, 2017.

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment consists of the following:

	December 31,	
	2017	2016
Leasehold improvements	\$ 7,155	\$ 7,155
Furniture and fixtures	1,800	1,800
Computer software and hardware	50,877	50,877
Construction in progress	319,878	-
	379,710	59,832
Less: Accumulated depreciation	59,832	59,061
Property and Equipment, Net	\$ 319,878	\$ 771

Depreciation expense for the years ended December 31, 2017 and 2016, was \$771 and \$5,057, respectively.

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 6 - NONCASH DONATIONS:

During the years ended December 31, 2017 and 2016, the Organization received noncash donations of property, goods and services, and free use of facilities that have been reflected in the accompanying consolidated financial statements.

The amount of donated facilities, goods and services for the years ended December 31, 2017 and 2016, was \$283,442 and \$274,893, respectively, which included \$236,529 and \$242,748 of in-kind contributions of professional services, respectively. Amounts have been recorded in the accompanying consolidated financial statements for the fair value of the donated facilities for various program and administrative functions, which amounted to \$46,913 and \$32,145 for the years ended December 31, 2017 and 2016, 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 consolidated financial statements.

NOTE 7 - LINE OF CREDIT:

The Organization has a \$100,000 line of credit available from a commercial bank. The variable interest rate on this note equals the Wall Street Journal prime rate, which is 4.50% and 3.25% as of December 31, 2017 and 2016, respectively. The line of credit renews annually at the bank's option, and the line was renewed through October 31, 2018. There is \$354 and \$-0- outstanding on this line of credit as of December 31, 2017 and December 31, 2016, respectively, as shown on the accompanying consolidated statements of financial position.

NOTE 8 - LEASE COMMITMENTS:

The Organization entered into an operating lease agreement for office space. The Organization moved its office to a new location. Effective July 28, 2016, they entered into a short-term lease which expired on January 31, 2017. This lease was then converted to a month-to-month operating lease agreement effective February 1, 2017. Rent is payable in monthly installments of \$3,000. The Organization also leases office space in Newark. The lease is a five-year agreement which expires on July 14, 2020. Rent is payable in monthly installments of \$2,200. The rent is increased during each subsequent twelve-month period by 3%.

The Organization also leases office equipment under an operating lease which expired on September 15, 2017 and was extended for one year. Lease expense for this equipment is \$4,200 for each of the years ended December 31, 2017 and 2016, and is included in occupancy expense in the accompanying consolidated statements of functional expenses. The Organization entered into a new equipment lease which is due to expire September 30, 2019.

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 - LEASE COMMITMENTS: (Continued)

Lease expense for this equipment is \$6,960 for each of the years ended December 31, 2017 and 2016, and is included in occupancy expense in the accompanying consolidated statements of functional expenses.

Rent expense related to the Jersey City and Newark office leases was \$63,566 and \$54,682 for the years ended December 31, 2017 and 2016, respectively. These amounts are included in occupancy expense in the accompanying consolidated statements of functional expenses.

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

Year Ended December 31,	Amount
2018	\$ 38,328
2019	34,464
2020	16,094
Total	<u>\$ 88,886</u>

NOTE 9 - RELATED PARTY TRANSACTIONS:

Rising Tide Capital, Inc. loaned funds to 1217 Kennedy Blvd LLC for the purchase of the property in Bayonne, New Jersey. At December 31, 2017, the intercompany balance due to Rising Tide Capital, Inc. is \$352,076, which is eliminated during consolidation.

1217 Kennedy Blvd LLC paid \$8,928 in interest expense to Rising Tide Capital, Inc. This interest expense and income, respectively, has been eliminated during consolidation.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS:

The following temporarily restricted net assets are available for the following purposes:

Time restrictions:	December 31,	
	2017	2016
For use in future periods	\$5,483,562	\$3,572,138
Net proceeds from the gala for use in future periods (gross proceeds of \$220,411 and \$460,191, respectively, and expenses of \$225,916 and \$192,779, respectively, for the years ended December 31, 2017 and 2016.)	-	267,412
Total Temporarily Restricted Net Assets	<u>\$5,483,562</u>	<u>\$3,839,550</u>

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS: (Continued)

Net assets released from time and use restrictions for the years ended December 31, 2017 and 2016, amounted to \$3,307,988 and \$2,464,473, respectively, and are reflected on the accompanying consolidated statements of activities and changes in net assets.

NOTE 11 - 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's contributions are discretionary. During the years ended December 31, 2017 and 2016, the Organization provided a 5% match to eligible employees in the amount of \$49,398 and \$43,841, respectively.

NOTE 12 - CONCENTRATIONS OF RISK:

Support and Revenue:

The Organization received a substantial portion of its revenues from federal and state programs. The Organization received approximately 10% and 11% for the years ended December 31, 2017 and 2016, 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 consolidated 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 13 - TAX RETURNS:

At December 31, 2017, all required tax returns have been filed.

RISING TIDE CAPITAL, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 14 - SUBSEQUENT EVENTS:

The Organization has evaluated events subsequent to the consolidated statement of financial position date as of December 31, 2017 through May 9, 2018, the date that the consolidated financial statements were available to be issued and noted the following:

On February 8, 2018, the Organization signed an Agreement of Sale with 311-315 M.L.K. LLC where the Seller agrees to sell to the Organization the land and building it occupies in the City of Jersey City. The purchase price is \$1,500,000. The agreement is contingent upon the Organization receiving an Option Termination Agreement with RUC Holdings, LLC so that this Option Agreement does not affect transferring the title to the Organization, and the title can be transferred free and clear of the Option Agreement. The Agreement of Sale is also subject to the Jersey City Redevelopment Agency approving the Organization as a Successor Redeveloper, and the City of Jersey City approving the transfer of title from the Seller to the Organization; both approvals have been granted by the respective authorities. The Seller must request all the inspections required by the City of Jersey City to obtain Certificates of Occupancy.

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Period	Grant ID Number	Program Award Amount	Current Year Expenditures	Provided to Subrecipients
EXPENDITURES OF FEDERAL AWARDS:						
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:						
Passed through City of Jersey City Division Community Development:						
Community Development Block Grants - Community Business Academy & Business Acceleration Services)	14.218	4/1/16 - 3/31/17	16-699	\$ 225,000	\$ 53,860	\$ -
Community Development Block Grants - Community Business Academy & Business Acceleration Services)	14.218	4/1/17 - 3/31/18	17-800	200,000	157,765	-
Total Department of Housing and Urban Development				425,000	211,625	-
U.S. SMALL BUSINESS ADMINISTRATION:						
Program for Investment in Microentrepreneurs Act of 1999 ("PRIME")	59.050	9/29/16 - 9/30/17	SBAHQ-16-PR-0030	150,000	122,770	-
Program for Investment in Microentrepreneurs Act of 1999 ("PRIME")	59.050	9/29/17 - 9/30/18	SBAHQ-17-PR-0028	150,000	37,586	-
Total U.S. Small Business Administration				300,000	160,356	-
Total Federal Awards				\$ 725,000	\$ 371,981	\$ -

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2017

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Period	Grant ID Number	Program Award Amount	Current Year Expenditures	Provided to Subrecipients
EXPENDITURES OF STATE AWARDS:						
NJ CENTER FOR HISPANIC POLICY:						
Center for Hispanic Policy, Research & Development	N/A	9/1/16 - 8/30/17	CHPRD17-017	\$ 20,000	\$ 20,000	\$ -
Center for Hispanic Policy, Research & Development	N/A	9/1/17 - 8/30/18	CHPRD18-005	20,000	-	-
Total NJ Center for Hispanic Policy				40,000	20,000	-
NEW JERSEY OFFICE OF FAITH-BASED INITIATIVE:						
OFBI Direct Service 2016	N/A	7/15/16 - 6/30/17	OFBI17DSP-2-002	30,000	30,000	-
OFBI Direct Service 2017-2	N/A	7/15/16 - 6/30/17	OFBI18DSP-074	50,000	-	-
Total New Jersey Office of Faith-Based Initiative				80,000	30,000	-
NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS:						
Neighborhood Revitalization Tax Credit Project 14 (Note 1)	N/A	3/01/17 - 02/28/18	2016-02240-0221	50,000 (1)	32,634	-
Total State Awards				\$ 170,000	\$ 82,634	\$ -
Total Federal and State Awards				\$ 895,000	\$ 454,615	\$ -

(1) - Grant is for \$100,000 to Garden State Episcopal Community Development Corporation. Rising Tide Capital is a subrecipient of \$50,000.

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND
STATE AWARDS
YEAR ENDED DECEMBER 31, 2017

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedules 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 these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular Letter 15-08. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

NOTE 2 - SUBRECIPIENTS:

During the year ended December 31, 2017, the Organization did not provide any funds relating to their federal or state programs to subrecipients.

NOTE 3 - INDIRECT COSTS:

The Organization did not elect to use the de minimis cost rate when allocating indirect costs to federal or state programs.

NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:

As of December 31, 2017, the Agency did not have any federal or state loan or loan guarantee programs.

**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. and Subsidiary
Jersey City, New Jersey

We have audited, 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, the consolidated financial statements of Rising Tide Capital, Inc. and Subsidiary ("Organization"), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated May 9, 2018.

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 consolidated 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 consolidated 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.

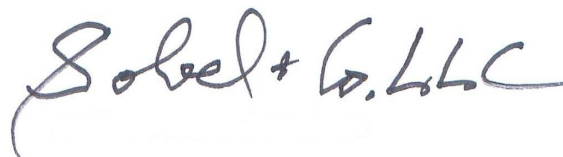
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 consolidated 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 consolidated 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 dark ink that reads "Sobel + Co. LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Livingston, New Jersey
May 9, 2018

RISING TIDE CAPITAL, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

I. Summary of Auditors' Results

Financial Statements

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

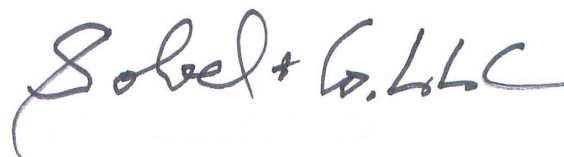
Internal control over financial reporting:

- 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

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING SUPPLEMENTARY INFORMATION

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

We have audited the consolidated financial statements of Rising Tide Capital, Inc. and Subsidiary ("Organization") as of and for the years ended December 31, 2017 and 2016, and our report thereon, dated May 9, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information on pages 24-29 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Certified Public Accountants

Livingston, New Jersey
May 9, 2018

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	Rising Tide Capital	1217 Kennedy Blvd LLC	Elimination Entries	Consolidated Rising Tide Capital
ASSETS				
CURRENT ASSETS:				
Cash	\$ 3,022,431	\$ 5,051	\$ -	\$ 3,027,482
Grants receivable, short-term	2,825,000	-	-	2,825,000
Accounts and contributions receivable	354,800	-	-	354,800
Intercompany receivables	352,076	-	(352,076)	-
Prepaid expenses and other current assets	80,765	3,696	-	84,461
Total Current Assets	6,635,072	8,747	(352,076)	6,291,743
PROPERTY AND EQUIPMENT, Net	-	319,878	-	319,878
GRANTS RECEIVABLE, LONG-TERM, Net	-	-	-	-
OTHER ASSETS:				
Security deposits	36,955	-	-	36,955
	<u>\$ 6,672,027</u>	<u>\$ 328,625</u>	<u>\$ (352,076)</u>	<u>\$ 6,648,576</u>
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable and accrued expenses	\$ 218,817	\$ -	\$ -	\$ 218,817
Deferred revenue	35,590	-	-	35,590
Intercompany payables	-	352,076	(352,076)	-
Line of credit	354	-	-	354
Total Current Liabilities	254,761	352,076	(352,076)	254,761
COMMITMENTS AND CONTINGENCIES				
NET ASSETS:				
Unrestricted	933,704	(23,451)	-	910,253
Temporarily restricted	5,483,562	-	-	5,483,562
Total Net Assets	6,417,266	(23,451)	-	6,393,815
	<u>\$ 6,672,027</u>	<u>\$ 328,625</u>	<u>\$ (352,076)</u>	<u>\$ 6,648,576</u>

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	Rising Tide Capital	1217 Kennedy Blvd LLC	Elimination Entries	Consolidated Rising Tide Capital
ASSETS				
CURRENT ASSETS:				
Cash	\$ 1,483,142	\$ -	\$ -	\$ 1,483,142
Grants receivable, short-term	2,165,000	-	-	2,165,000
Accounts and contributions receivable	279,558	-	-	279,558
Prepaid expenses and other current assets	16,625	-	-	16,625
Total Current Assets	3,944,325	-	-	3,944,325
PROPERTY AND EQUIPMENT, Net	771	-	-	771
GRANTS RECEIVABLE, LONG-TERM, Net	728,155	-	-	728,155
OTHER ASSETS:				
Security deposits	33,485	-	-	33,485
	<u>\$ 4,706,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,706,736</u>
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable and accrued expenses	\$ 105,071	\$ -	\$ -	\$ 105,071
Deferred revenue	26,754	-	-	26,754
Total Current Liabilities	131,825	-	-	131,825
COMMITMENTS AND CONTINGENCIES				
NET ASSETS:				
Unrestricted	735,361	-	-	735,361
Temporarily restricted	3,839,550	-	-	3,839,550
Total Net Assets	4,574,911	-	-	4,574,911
	<u>\$ 4,706,736</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,706,736</u>

RIISING TIDE CAPITAL, INC. AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017

	Rising Tide Capital	1217 Kennedy Blvd LLC	Elimination Entries	Consolidated Rising Tide Capital
CHANGES IN UNRESTRICTED NET ASSETS:				
PUBLIC SUPPORT, REVENUE AND OTHER:				
Program fees	\$ 58,878	\$ -	\$ -	\$ 58,878
Grants and fees from governmental agencies	454,616	-	-	454,616
Contributions	370,224	-	-	370,224
Donated services	283,442	-	-	283,442
Interest income	18,372	-	(8,928)	9,444
Other revenue	42,721	-	-	42,721
Total Revenue	1,228,253	-	(8,928)	1,219,325
Net assets released from donor and grantor restrictions	3,307,988	-	-	3,307,988
Total Public Support, Revenue and Other	4,536,241	-	(8,928)	4,527,313
EXPENSES:				
Program services	3,297,573	-	-	3,297,573
Fundraising	577,988	-	-	577,988
Management and general	462,337	23,451	(8,928)	476,860
Total Expenses	4,337,898	23,451	(8,928)	4,352,421
INCREASE IN UNRESTRICTED NET ASSETS	198,343	(23,451)	-	174,892

RIISING TIDE CAPITAL, INC. AND SUBSIDIARY**SUPPLEMENTARY INFORMATION****CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (Continued)****YEAR ENDED DECEMBER 31, 2017**

	Rising Tide Capital	1217 Kennedy Blvd LLC	Elimination Entries	Consolidated Rising Tide Capital
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:				
PUBLIC SUPPORT, REVENUE AND OTHER:				
Contributions	4,952,000	-	-	4,952,000
Net assets released from donor and grantor restrictions	(3,307,988)	-	-	(3,307,988)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	1,644,012	-	-	1,644,012
INCREASE (DECREASE) IN TOTAL NET ASSETS	1,842,355	(23,451)	-	1,818,904
Net Assets, Beginning of year:				
Unrestricted net assets	735,361	-	-	735,361
Temporarily restricted net assets	3,839,550	-	-	3,839,550
Total Net Assets, Beginning of year	4,574,911	-	-	4,574,911
Net Assets, End of year:				
Unrestricted net assets	933,704	(23,451)	-	910,253
Temporarily restricted net assets	5,483,562	-	-	5,483,562
Total Net Assets, End of year	\$ 6,417,266	\$ (23,451)	\$ -	\$ 6,393,815

RISEING TIDE CAPITAL, INC. AND SUBSIDIARY
SUPPLEMENTARY INFORMATION
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	Rising Tide Capital	1217 Kennedy Blvd LLC	Elimination Entries	Consolidated Rising Tide Capital
CHANGES IN UNRESTRICTED NET ASSETS:				
PUBLIC SUPPORT, REVENUE AND OTHER:				
Program fees	\$ 55,500	\$ -	\$ -	\$ 55,500
Grants and fees from governmental agencies	403,370	-	-	403,370
Contributions	333,806	-	-	333,806
Donated services	274,893	-	-	274,893
Interest income	7,141	-	-	7,141
Other revenue	101,034	-	-	101,034
Total Revenue	1,175,744	-	-	1,175,744
Net assets released from donor and grantor restrictions	2,464,473	-	-	2,464,473
Total Public Support, Revenue and Other	3,640,217	-	-	3,640,217
EXPENSES:				
Program services	2,745,931	-	-	2,745,931
Fundraising	501,153	-	-	501,153
Management and general	350,257	-	-	350,257
Total Expenses	3,597,341	-	-	3,597,341
INCREASE IN UNRESTRICTED NET ASSETS	42,876	-	-	42,876

RIISING TIDE CAPITAL, INC. AND SUBSIDIARY**SUPPLEMENTARY INFORMATION****CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (Continued)****YEAR ENDED DECEMBER 31, 2016**

	Rising Tide Capital	1217 Kennedy Blvd LLC	Elimination Entries	Consolidated Rising Tide Capital
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:				
PUBLIC SUPPORT, REVENUE AND OTHER:				
Contributions	4,515,687	-	-	4,515,687
Net assets released from donor and grantor restrictions	(2,464,473)	-	-	(2,464,473)
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	2,051,214	-	-	2,051,214
INCREASE IN TOTAL NET ASSETS	2,094,090	-	-	2,094,090
Net Assets, Beginning of year:				
Unrestricted net assets	692,485	-	-	692,485
Temporarily restricted net assets	1,788,336	-	-	1,788,336
Total Net Assets, Beginning of year	2,480,821	-	-	2,480,821
Net Assets, End of year:				
Unrestricted net assets	735,361	-	-	735,361
Temporarily restricted net assets	3,839,550	-	-	3,839,550
Total Net Assets, End of year	\$ 4,574,911	\$ -	\$ -	\$ 4,574,911