Rising Ground, Inc. and Affiliate
(Formerly Known as Leake and Watts Services, Inc.)

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2018

BKD
CPAs & Advisors

Rising Ground, Inc. and Affiliate
(Formerly Known as Leake and Watts Services, Inc.)
June 30, 2018

Contents

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655 Third Avenue, Suite 1200 | New York, NY 10017-9115
212.867.4000 | Fax 212.867.9810 | bkd.com

Independent Auditor's Report

Board of Directors
Rising Ground, Inc. and Affiliate
Yonkers, New York

We have audited the accompanying consolidated financial statements of Rising Ground, Inc. and Affiliate (Rising Ground), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Rising Ground'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 Rising Ground'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 Rising Ground, Inc. and Affiliate as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as of and for the year ended June 30, 2018, listed in the table of contents is presented for purposes of additional analysis and 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 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 as of and for the year ended June 30, 2018, is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Prior Year Audited by Other Auditors and Summarized Comparative Information

The 2017 financial statements were audited by Loeb & Troper LLP, and their report thereon, dated November 28, 2017, expressed an unmodified opinion. The summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BKD, LLP

New York, New York
December 28, 2018

Rising Ground, Inc. and Affiliate
(Formerly Known as Leake and Watts Services, Inc.)
Consolidated Statement of Financial Position
June 30, 2018
(With Summarized Financial Information for June 30, 2017)

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 2,921,344	$ 4,731,947
Investments	6,083,731	7,822,148
Investments - certificates of deposit	25,000	25,000
Accounts receivable (net of allowance of $110,000)	12,902,089	9,671,905
Other receivables	239,481	133,128
Prepaid expenses	1,396,859	838,719
Accrued investment interest receivable	29,771	31,768
Total current assets	23,598,275	23,254,615
Assets Limited as to Use		
Assets limited as to use - investments	557,844	821,326
Cash reserve for liabilities	1,600,000	-
Total assets limited as to use	2,157,844	821,326
Other Assets		
Investments	2,361,096	2,361,096
Security deposits	150,427	105,727
Beneficial interest in perpetual trusts	1,657,216	1,593,169
Fixed assets - net	30,308,433	32,352,740
Total other assets	34,477,172	36,412,732
Total assets	$ 60,233,291	$ 60,488,673

Rising Ground, Inc. and Affiliate
(Formerly Known as Leake and Watts Services, Inc.)
Consolidated Statement of Financial Position
June 30, 2018
(With Summarized Financial Information for June 30, 2017)

	2018	2017
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 2,895,139	$ 3,865,207
Accrued payroll and employee benefits	5,056,504	4,549,513
Accrued expenses and other liabilities	6,337,368	5,746,883
Advances from government agencies	975,074	2,117,721
Due to government agencies	1,673,794	-
Accrued interest payable	36,944	39,844
Line of credit and notes payable	761,008	725,361
Capital leases payable	92,552	23,412
Bonds payable - net	1,686,000	1,649,000
Total current liabilities	19,514,383	18,716,941
Long-Term Liabilities		
Accrued payroll and employee benefits	361,067	414,220
Line of credit and notes payable	6,020,342	6,774,940
Capital leases payable	295,952	69,096
Due to government agencies	944,323	-
Bonds payable - net	16,339,071	17,921,834
Total long-term liabilities	23,960,755	25,180,090
Total liabilities	43,475,138	43,897,031
Net Assets		
Unrestricted	12,487,483	12,462,821
Temporarily restricted	252,358	174,556
Permanently restricted	4,018,312	3,954,265
Total net assets	16,758,153	16,591,642
Total liabilities and net assets	$ 60,233,291	$ 60,488,673

Rising Ground, Inc. and Affiliate
(Formerly Known as Leake and Watts Services, Inc.)
Consolidated Statement of Activities
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Operating Revenues					
Program revenue	$ 95,772,179	$ -	$ -	$ 95,772,179	$ 88,929,622
In-kind contributions	373,180	-	-	373,180	469,160
Program development grant	1,142,647	-	-	1,142,647	-
Total operating revenues	97,288,006	-	-	97,288,006	89,398,782
Operating Expenses					
Program services					
Child Welfare	34,106,255	-	-	34,106,255	30,663,517
Special Education	16,902,304	-	-	16,902,304	16,539,994
Developmental Disabilities	13,611,618	-	-	13,611,618	11,184,425
Juvenile Justice	13,116,313	-	-	13,116,313	13,669,124
Early Childhood	11,743,598	-	-	11,743,598	12,047,551
Total program services	89,480,088	-	-	89,480,088	84,104,611
Supporting services					
Management and general	10,299,326	-	-	10,299,326	9,002,971
Development	283,260	-	-	283,260	282,065
Total supporting services	10,582,586	-	-	10,582,586	9,285,036
Total operating expenses (includes interest expense of $1,355,330)	100,062,674	-	-	100,062,674	93,389,647

Rising Ground, Inc. and Affiliate
(Formerly Known as Leake and Watts Services, Inc.)
Consolidated Statement of Activities
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Change in Net Assets from Operations	$ (2,774,668)	$ -	$ -	$ (2,774,668)	$ (3,990,865)
Nonoperating Revenues and Expenses					
Investment income	1,206,088	-	-	1,206,088	1,416,179
Capital improvement grant	99,264	-	-	99,264	127,387
Contributions	914,206	227,358	-	1,141,564	1,339,937
Special events	557,301	-	-	557,301	529,441
Direct costs of special events	(127,085)	-	-	(127,085)	(124,720)
Change in value of beneficial interest in perpetual trusts	-	-	64,047	64,047	156,263
Miscellaneous income	-	-	-	-	37
Net assets released from restrictions	149,556	(149,556)	-	-	-
Change in Net Assets	24,662	77,802	64,047	166,511	(546,341)
Net Assets, Beginning of Year	12,462,821	174,556	3,954,265	16,591,642	17,137,983
Net Assets, End of Year	$ 12,487,483	$ 252,358	$ 4,018,312	$ 16,758,153	$ 16,591,642

Rising Ground, Inc. and Affiliate
(Formerly Known as Leake and Watts Services, Inc.)
Consolidated Statement of Cash Flows
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018	2017
Reconciliation of Change in Net Assets to Net Cash Operating Activities		
Change in net assets	$ 166,511	$ (546,341)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	3,196,888	3,046,625
Amortization of bond issuance costs	105,788	105,788
Amortization of bond discount	3,809	3,809
Realized gains on investments	(739,341)	(348,683)
Unrealized gains on investments	(177,605)	(884,317)
Change in value of beneficial interest in in perpetual trusts	(64,047)	(156,263)
Donated securities	(13,811)	(38,910)
Changes in		
Accounts receivable	(3,230,184)	485,681
Other receivables	(106,353)	53,837
Prepaid expenses	(558,140)	(197,864)
Accrued investment interest receivable	1,997	494
Security deposits	(44,700)	-
Accounts payable	(970,068)	587,356
Accrued payroll and employee benefits	453,838	535,564
Accrued expenses and other liabilities	590,485	2,088,820
Advances from government agencies	(1,142,647)	-
Due to government agencies	2,618,117	-
Accrued interest payable	(2,900)	(2,900)
Net cash provided by operating activities	87,637	4,732,696
Investing Activities		
Purchase of investments	(8,077,466)	(7,427,308)
Proceeds from sale of investments	10,746,640	8,114,765
Increase in investments limited as to use	(1,336,518)	(182,269)
Fixed asset acquisitions	(823,049)	(1,196,381)
Net cash used in investing activities	509,607	(691,193)

Rising Ground, Inc. and Affiliate
(Formerly Known as Leake and Watts Services, Inc.)
Consolidated Statement of Cash Flows (Continued)
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018	2017
Financing Activities		
Principal payments of line of credit and notes payable	$ (7,298,951)	$ (7,739,012)
Proceeds from line of credit and notes payable	6,580,000	7,000,000
Principal payments on bonds payable	(1,655,360)	(1,606,000)
Principal payments on capital lease	(33,536)	(56,148)
Net cash used in financing activities	(2,407,847)	(2,401,160)
Net Change in Cash and Cash Equivalents	(1,810,603)	1,640,343
Cash and Cash Equivalents, Beginning of Year	4,731,947	3,091,604
Cash and Cash Equivalents, End of Year	$ 2,921,344	$ 4,731,947
Supplemental Cash Flows Information		
Cash paid during the year for interest	$ 1,248,633	$ 1,375,683
Capital lease acquisition	329,532	-

Rising Ground, Inc. and Affiliate
(Formerly Known as Leake and Watts Services, Inc.)
Notes to Consolidated Financial Statements
June 30, 2018

Note 1: Nature of Organization

Rising Ground, Inc. (formerly known as Leake and Watts Services, Inc.) provides comprehensive social services including family stabilization, foster care, child care and Head Start, residential and respite services for children and adults with developmental disabilities, special education, residential treatment and group homes for youth with emotional and mental health challenges and a spectrum of residential and treatment services for adjudicated youth and youth awaiting court action. Most families served live throughout New York City and Westchester County. The primary sources of revenue are the New York City Administration for Children's Services and various New York State government agencies.

The Emergency Shelter, Inc. alleviates human suffering and distress through programs that feed, house, shelter, and train homeless and unemployed men, women and youth. The primary source of funding is income associated with the organization's beneficial interests in perpetual trusts held by third parties.

Rising Ground, Inc. is related to The Emergency Shelter, Inc. through common board control. Rising Ground received $75,000 from The Emergency Shelter, Inc. for certain services that Rising Ground has provided which is eliminated in the consolidation. The Emergency Shelter, Inc. is consolidated in these consolidated financial statements.

Rising Ground, Inc. and its Affiliate are collectively referred to as "Rising Ground."

- **Child Welfare** programs and services.
  - The **Residential Treatment Center**, located on a 30-acre campus in Yonkers, provides 24-hour residential care to youth ages 12-21 requiring more significant therapeutic and educational support. An enriched, structured program of activities coupled with clinical services assists youth with mental health concerns and challenging behaviors to develop the ability to participate fully in the surrounding community and to return to a less restrictive environment. Some of the youth served at the Residential Treatment Center are in foster care.
  - The **Family Foster Care** program serves children who have experienced abuse and neglect. The goal in all cases is to establish a permanent appropriate living arrangement for the child, preferably back with his/her birth family. If that is not possible, the goal is to establish a home with an adoptive family or to prepare the youth to live independently.
  - Our evidence-based **Multidimensional Treatment Foster Care** serves teens in foster care with emotional and behavioral challenges with more intensive support.
  - Our **Mother/Child Home** in the Bronx serves teen mothers in foster care along with their children. The focus, as with all foster youth, is on education, skills development (with particular emphasis on parenting skills training), employment, safety and wellbeing.
  - **Preventive Services Programs** strengthen and preserve families, keep children safe by preventing child abuse and neglect, and prevent the necessity of placing children in foster care utilizing two evidence-based models that have proven track records of success, Family Connections and Functional Family Therapy - Child Welfare adaptation.

   - Our **Passage of Hope** program serves undocumented migrant children (mostly from Honduras, El Salvador and Guatemala) who have come into the United States without an adult guardian. These children are temporarily taken into the custody of the Department of Health and Human Services, Office of Refugee Resettlement and placed with us so they may receive a myriad of services (medical, clinical, education, legal, etc.) while they are reunified with their families in the U.S.

   - The **Transitional Independent Living** program houses and assists runaway and homeless youth ages 16 – 21 while they transition into independent living.

   - Youngsters in our child welfare programs also receive services and referrals from our **Health Service programs** to ensure that their health and mental health needs are met.

- **Special Education** services to school-age children through both The Biondi School and at our Residential Treatment Center.

   - Many students have a history of mental health challenges, learning disabilities, substance abuse, general delinquency, depression, psychotic thinking, suicidal ideation, impulsivity, anxiety and poor social skills. **The Biondi School** is a non-public school providing 12-month specialized educational services. Emphasis is on academic achievement, skills development, and increasing each student's ability to remain on task, interact appropriately with peers, and improve behavior so that they can return to their local public school.

- **Developmental Disabilities Services** include community-based programs such as community residences and supported apartments, prevocational services, supportive employment, day habilitation services, and Medicaid Service Coordination for both children and adults. Our supportive clinical practices address the associated emotional, behavioral and psychological issues/disorders in order to assist our consumers to live more fulfilling lives.

- **Community School Services**, in collaboration with the NYC Department of Education, work with two middle schools in the Bronx. Educators, Rising Ground staff and families share leadership and organize resources so that academics, social services and other supports are integrated into the fabric of each school. These combined supports help the schools better address the needs of young people, resulting in improved student learning, stronger families and healthier communities.

- **Early Childhood Centers** for children ages 18 months to 5 years.

   - Program components include an early childhood educational curriculum which prepares children for their school years promoting creativity, pre-academic skills, socialization, and independence, bilingual (Spanish) services, parent involvement, and linkage to community and social services.

- Located in the Bronx, our federally funded **Early Head Start** program serves pregnant women, infants and toddlers living at or below the poverty level. A **Head Start** program, which served children and families, was operational through June 30, 2018. Our **Seabury Day Care** Center provides early education services to children from low-income, working families.

- The **Brownell Preschool** and **Ames Early Childhood Center** serve both typically developing children with Universal Pre-Kindergarten (UPK) services as well as those in need of preschool special education services in integrated as well as segregated classes, depending on the need of the child.

- The **Children's Learning Center** provides preschool special education to children with intensive needs in small classes.

- The **Family Resource Center** provides a wide range of free services to children and families in the Soundview section of the Bronx. Services include: Computer lab, recreational activities for families, infant and toddler play groups, parent support groups, money management workshops, assistance connecting to Adult Education programs and additional social services.

- Our **Parent-Child Home Program** provides support to low-income families in the Bronx with children ages 18 months to 33 months. This evidence-informed, early childhood home-visiting program focuses on developing pre-literacy skills to promote school readiness, promoting positive parenting skills, building positive child-parent interactions, and enhancing children's social and emotional development.

- **Juvenile Justice Services** include secure to non-secure placement programs for court-involved youth, all of which are based on the belief that young people with histories of delinquency need support, education and other tools to return safely and successfully to their communities and break the cycle of delinquency.

  - **Woodfield Facility,** a secure detention center for youth under the age of 16 who were awaiting court action, was under our auspices through December 31, 2017. Services included individual and group counseling, a full-day school program, 24-hour medical services, family outreach, aftercare planning, and religious and spiritual services.

  - Our **Limited Secure Placement** program (LSP) is a residential program serving adjudicated youth ages 14 to 18 (and on occasion, an older or younger youth may be served). Both general and specialized populations are served. We ensure that youth are able to develop their academic, pre-vocational and communications skills through various aspects of the program and work with family members to maintain and strengthen the youth's connection with his or her family and community. Aftercare services are also provided to youth around New York City who are transitioning out of LSP programs.

– Our **Non-Secure Placement** program is also part of the residential care continuum for adjudicated Juvenile Delinquents in New York City ages 12 to 14. Our program is community-oriented and family-focused, using the nationally recognized treatment method, the Missouri Model, that involves grouping youth into small cohorts of 10-12 with whom they live, attend school, participate in recreational activities and receive counseling.

– The **Family Respite** program serves youth ages 7 to 17 who are at risk of contact with the juvenile justice system by providing respite services for up to 21 days. The program staff also refers families to appropriate community-based services for sustained assistance.

– The **Juvenile Justice Initiative and Aftercare** program expands our implementation of the Functional Family Therapy evidence-based model in the juvenile justice field. It provides home-based Alternative-to-Placement and Aftercare Services for up to 52 youth involved in ACS's Juvenile Justice Initiative throughout the Bronx and Manhattan annually.

– The **Article 31 Clinic** provides outpatient mental health treatment to children and adolescents ages 5 to 21 years and their family members who meet criteria for a mental health diagnosis under DSM5.

– **Care Coordination** enables Rising Ground to serve as a downstream Care Management Agency (CMA) providing comprehensive care management services to children and adults who meet necessary criteria.

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of Rising Ground have been prepared on the accrual basis of accounting.

Basis of Consolidation

All material intercompany transactions and balances are eliminated in the consolidation.

Use of Estimates

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

Cash and Cash Equivalents

Rising Ground considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

At June 30, 2018, Rising Ground's cash accounts exceeded federally insured limits by approximately $4,800,000.

Investments

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Rising Ground maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices) and Level 2 (other significant observable inputs) are recognized on the actual transfer date.

Investments – Certificates of Deposit

Certificates of deposit with maturities greater than three months when originally acquired, are valued at contract value and are considered investments for cash flow purposes.

Accounts Receivable, Other Receivables and Program Revenue

Rising Ground records receivables and revenue when earned based on established rates and contracts for service provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. Revenues received from government agencies are subject to audit by such agencies. Laws and regulations related to government programs are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from the government programs. Interest is not charged on outstanding receivables.

Rising Ground determines whether an allowance for uncollectibles should be provided for accounts receivable. Such estimates are based on management's assessment of the aged basis of its sources, current economic conditions and historical information. Delinquent accounts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Fixed Assets

Fixed assets having a useful life greater than one year and costing $5,000 or more, are stated at cost or fair market value, if donated. Depreciation is computed on the straight-line basis over the estimated useful life of the assets. Capital leases and leasehold improvements are amortized over either the remaining term of the underlying lease or the useful lives of the improvements, whichever is shorter, using the straight-line method.

The estimated useful lives of such assets are as follows:

Building and building improvements	10 to 40 years
Furniture, fixtures and equipment	3 to 10 years
Leasehold improvements	3 to 20 years

Long-Lived Asset Impairment

Rising Ground evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2018.

Assets Limited as to Use

Investments whose assets are set aside under the terms of various bond agreements as well as the Replacement Reserve Fund. The Replacement Reserve Fund is used specifically for repair and maintenance of New York State Office for People With Developmental Disabilities (OPWDD) – funded IRA residences.

Beneficial Interests in Perpetual Trusts

The Emergency Shelter, Inc. has beneficial interests in various perpetual trusts. The Emergency Shelter, Inc.'s interest in these trusts is reported as a contribution in the year received at their fair value. Changes in the fair value of the underlying assets are recorded as revenue adjusting permanently restricted net assets.

Advances from Government Agencies

Advances from government agencies consist of cash received from various government agencies in advance of allowable expenses being incurred.

Due to Government Agencies

Due to Government agencies consists of accruals by Rising Ground of actual and estimated negative retroactive revenue adjustments.

Debt Issuance Costs

Debt issuance costs are reflected as a reduction of the carrying amount of the related debt and are amortized on the straight-line method over the term of the associated debt. Amortization of debt issuance costs is included in interest expense.

Net Assets

Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use by Rising Ground has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by Rising Ground in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Government Grants

Support funded by grants is recognized as Rising Ground performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributed Costs and Revenues

Rising Ground operates programs where facility costs and consumable supplies are paid directly by New York City. Rising Ground reports these amounts as operating revenues and expenses, and recognized $373,180 of contributed costs.

Measure of Operations

Rising Ground's change in net assets from operations includes revenues and expenses directly related to the provision of program services. Investment income, capital improvement grant, contributions, both restricted and unrestricted, special events and related direct costs, bond cost write off, change in value of beneficial interests in perpetual trusts and miscellaneous income are considered nonoperating.

Operating Leases

Rent expense has been recorded on the straight-line basis over the term of the lease. Deferred rent is recorded when material.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Certain costs have been allocated among the program, management and general and fund raising categories based on ratio value and other methods.

Summarized Financial Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Rising Ground's consolidated financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Income Taxes

Rising Ground is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, Rising Ground is subject to federal income tax on any unrelated business taxable income.

Rising Ground files tax returns in the U.S. federal jurisdiction.

Note 3: Investments and Disclosures about Fair Value of Assets and Liabilities

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018.

Unrestricted and permanently restricted investments, assets limited as to use and beneficial interests in perpetual trusts, as described in Note 2, are included in the following table set forth by level, within the fair value hierarchy at fair value:

		Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Unobservable Inputs (Level 3)	Investments Measured at NAV[(A)]
	Total	Investments	Assets Limited As To Use	Total		
Investments at fair value						
Fixed-income securities						
U.S. Treasury obligations	$ 974,360	$ 424,394	$ 549,966	$ 974,360	$ -	$ -
Mortgage-backed securities	86,450	86,450	-	86,450	-	-
Municipal authorities	152,338	152,338	-	152,338	-	-
Corporate bonds						
Telecommunications	277,662	277,662	-	277,662	-	-
Energy	73,755	73,755	-	73,755	-	-
Finance	617,369	617,369	-	617,369	-	-
Consumer goods	511,523	511,523	-	511,523	-	-
Services	241,694	241,694	-	241,694	-	-
Mutual funds						
Large cap	3,569,097	-	-	-	-	3,569,097
Mid cap	815,539	-	-	-	-	815,539
Small cap	495,341	-	-	-	-	495,341
International-developed	637,323	-	-	-	-	637,323
Emerging markets	216,650	-	-	-	-	216,650
Equity REITS	57,424	-	-	-	-	57,424
Other equity	7,484	-	-	-	-	7,484
Managed futures	63,845	-	-	-	-	63,845
Absolute return	70,081	-	-	-	-	70,081
Money market funds	1,734,736	126,858	1,607,878	1,734,736	-	-
Total investments	$ 10,602,671	$ 2,512,043	$ 2,157,844	$ 4,669,887	$ -	$ 5,932,784
Beneficial interests in perpetual trusts	$ 1,657,216	$ -	$ -	$ -	$ 1,657,216	$ -

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2018. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, investments are classified within Level 3 of the hierarchy.

Fixed-income securities (other than mortgage-backed securities): Valued at the closing price reported on the active market on which the individual securities are traded.

Mortgage-backed securities: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities.

Mutual funds: Valued at the NAV of shares held at end of year.

Transfers between fair value hierarchy levels: Transfers in and out of Level 1 (quoted market prices) and Level 2 (other significant observable inputs) are recognized on the actual transfer date.

Beneficial Interest in Perpetual Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statement of financial position using significant unobservable (Level 3) inputs:

Beginning balance	$	1,593,169
Total gains (realized/unrealized) included in changes in net assets for the year ended June 30		64,047
Ending balance	$	1,657,216
The amount of total gains for the period included in changes in net assets attributable to the change in unrealized gains relating to assets still held at the reporting date	$	64,047

Total investment return is comprised of the following:

Interest and dividend income	$	276,453
Realized gains		739,341
Unrealized gains		258,063
Investment expenses		(67,769)
Investment income	$	1,206,088

Note 4: Beneficial Interest in Trust

Rising Ground is the beneficiary under a perpetual trust administered by an outside party. Under the terms of the trust, Rising Ground has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is $1,657,216, which represents the fair value of the trust assets at June 30, 2018. The income from this trust for June 30, 2018 was $64,047.

Note 5: Fixed Assets

Fixed assets consist of the following:

	June 30, 2018	June 30, 2017
Land	$ 38,787	$ 38,787
Building and building improvements	56,366,522	55,809,075
Leasehold improvements	6,915,026	5,872,319
Furniture, fixtures and equipment	8,887,386	8,225,864
Construction in progress	33,552	1,142,647
Total cost	72,241,273	71,088,692
Less accumulated depreciation and amortization	(41,932,840)	(38,735,952)
Fixed assets - net	$ 30,308,433	$ 32,352,740

Equipment costing $450,099 and associated accumulated amortization of $48,628 are subject to capital lease agreements as described in Note 8.

Note 6: Revenue Recognition and Adjustments

Revenues are recognized when earned as services are rendered and are based on rates, fees for services and contractual agreements with various Federal, New York State, New York City and other public agencies.

Revenues under third-party-payor agreements are subject to audit and rate reconciliation which could result in potential retroactive adjustments. Provisions for estimated third-party-payor settlements are recorded in the period when the services are rendered. Differences between the estimated amounts accrued, interim and final settlements are reported in operations in the year of determination.

Reimbursement methodologies for some of the major programs present at Rising Ground are as follows:

Education and Early Childhood

Rising Ground's school programs are regulated and funded by the New York State Education Department. A tuition rate per student is established based upon enrollment, actual cost data, geographic location and other cost "screens" prescribed by the State. Fluctuations in enrollment and costs can have a significant impact on Rising Ground's receipt of a rate sufficient to cover program costs. Per diem tuition rate per student is subject to final reconciliation based on audited financial statements. Revenue and support payments have been reconciled with the NYS Rate Setting Unit through the fiscal year ended June 30, 2015.

Foster Care, Residential Treatment and Medical and Mental Health Services

The principal source of revenue consists of support payments received from the City of New York (the City) and Westchester County for congregate and foster boarding home care, and health care provided to children referred to Rising Ground. Such payments, based initially upon per diem rates established annually by the New York State Office of Children and Family Services (NYS-OCFS), the New York City Administration for Children’s Services (NYC-ACS), and the State Department of Health, are finalized after the reported costs and days of care are audited. Revenue for support payments from NYC-ACS is subject to audit.

Developmental Disabilities Services

Developmental Disabilities Services including community-based programs such as group homes and supported apartments, prevocational, respite/recreation services, supportive employment, day services for adults and children, and Medicaid Service Coordination are funded through contracts with OPWDD and by Medicaid, based on rates established by OPWDD.

Note 7: Line of Credit and Notes Payable

A) On January 5, 2009, Rising Ground entered into a mortgage with Castle Combe Associates LLC for $3,795,737 to purchase a building at 450 Castle Hill Avenue, Bronx. The mortgage is secured by the aforementioned property. Payments of $28,300 are due monthly through February 1, 2029. The interest rate is 6.50%.	$	2,593,728
B) On May 14, 2015, Rising Ground obtained a $5,625,807 term loan from TD Bank, N.A. (TD Bank). The loan matures on June 1, 2025, and is payable in monthly installments of $57,146 including interest at 4.01%, beginning July 1, 2015. The loan is collateralized by assets held by BNY Mellon in the custodial investment accounts of Rising Ground.		4,171,044
C) On June 27, 2016, Rising Ground entered into an unsecured property renovation note with Tower Property Management Co., Inc. in the amount of $165,100 for the partial renovation of the second floor to the property located at Williamsbridge Road, Bronx. Payments of $5,098, including interest at 7%, are due monthly. The note matures in May 2019.		58,936
D) June 14, 2017, Rising Ground renewed their $8,000,000 revolving line of credit from TD Bank. The revolving line of credit matures on May 15, 2019 and bears interest at the prime rate, which was 5% at June 30, 2018. The line of credit is secured by accounts receivable.		-
	$	6,823,708

Principal payments for the line of credit and all notes payable over the next five years are as follows:

2019	$	761,008
2020		735,286
2021		770,917
2022		807,975
2023		846,912
Thereafter		2,901,610
		6,823,708
Less unamortized debt issuance costs		(42,358)
Net	$	6,781,350

There are certain financial covenants associated with Rising Ground's lines of credit. As of June 30, 2018, Rising Ground was in compliance with those covenants.

Interest expense was $572,562 in 2018 and includes amortization of debt issuance cost of $6,052.

Note 8: Capital Leases Payable

TD Equipment Finance, Inc.

In October 2015, Rising Ground entered into a $1,000,000 equipment financing agreement with TD Equipment Finance, Inc. to lease equipment set to expire in February 2018. The agreement was renewed and increased to $1,250,000 and is set to expire in February 2019.

Rising Ground has made the following draws from the line to finance equipment:

A) $120,568 in April 2016. Payments of $2,207, including imputed interest at an estimated annual rate of 3.75% charged on the outstanding balance, are due monthly. The lease matures in March 2021.	$ 71,304
B) $224,401 in April 2018. Payments of $4,241, including imputed interest at an estimated annual rate of 5.06% charged on the outstanding balance, are due monthly. The lease matures in March 2023.	214,475
C) $46,441 in May 2018. Payments of $1,390, including imputed interest at an estimated annual rate of 4.91% charged on the outstanding balance, are due monthly. The lease matures in April 2021.	44,036
	$ 329,815

$922,393 was available to finance future purchases at June 30, 2018.

Hewlett-Packard Financial Services

In May 2018, Rising Ground entered into a $58,689 equipment financing agreement with Hewlett-Packard Financial Services Company to lease computer equipment. Payments of $1,156, including imputed interest at an estimated annual rate of 6.76% charged on the outstanding balance, are due monthly. The lease matures in June 2023. The balance outstanding at June 30, 2018, was $58,689.

The capital leases are secured by the underlying assets financed. Future lease payments are as follows:

2019	$	110,130
2020		107,922
2021		98,522
2022		64,759
2023		52,037
		433,370
Less amount representing interest		(44,866)
Present value of net minimum lease payments		388,504
Less current portion		(92,552)
Long-term obligation under capital lease	$	295,952

Note 9: Bonds Payable

Series 2013B-1 and Series 2013B-2

On May 9, 2013, the Dormitory Authority of the State of New York (DASNY) issued Series 2013B-1 and Series 2013B-2 Bonds aggregating $4,035,000 for the purpose of the financing and refinancing of costs incurred in connection with (a)1035 E. 233rd Street, Bronx (233rd Street) for $965,000; (b) 634 East 241st Street, Bronx (241st Street) for $590,000; (c) 954 East 211th Street, Bronx (211th Street) for $550,000; (d) 1623 Glover Street, Bronx (Glover Street) for $715,000; (e) 4316 Van Cortland Parkway East, Bronx (Hurst House) for $640,000; and (f) 450 Castle Hill Avenue, Bronx (Castle Hill) for $575,000.

One twelfth of the annual principal payment and one sixth of the semiannual interest payment are paid to the bond trustee monthly. The debt service schedule (term of loan) for each Facility coincides with its reimbursement commitment from OPWDD. The principal balance outstanding on the bonds at June 30, 2018, was $2,885,000.

The bonds are secured by a second mortgage lien on each Facility and a subordinate lien on the Public Funds attributable to the Facilities secured by a Stand-by Intercept Agreement with OPWDD. At June 30, 2018, the amount held in the debt service reserve fund was $190,986; in the debt service fund was $327,020; in the construction fund was $39,837. These amounts are reflected as investments limited as to use on the accompanying statement of financial position. The rate of interest on the bonds ranges from 2.00 percent to 3.25 percent.

Bond proceeds from the Series 2013B-1 and 2013B-2 were also used to pay the cost of issuance of the bonds totaling $256,423 and the bond discount of $47,860. At June 30, 2018, the unamortized bond issuance cost was $167,236. At June 30, 2018, the unamortized bond discount was $30,980.

Series 2014 Bonds

On June 27, 2014, $21,173,000 aggregate principal amount of Special Obligation Revenue Bonds were issued pursuant to a certain Bond Purchase and Loan Agreement by and among the Yonkers Economic Development Corporation (the Issuer), Rising Ground, Inc. (the Company), and BankUnited, Inc., as purchaser of the Bonds (the Bank). The component features of the total bond financing are set forth in the table below:

Series	Original Principal Amount	Balance at June 30, 2018	Maturity	Interest Rate	Price
Series 2014A	$ 16,670,000	$ 13,075,000	June 1, 2029	3.330%	100%
Series 2014B	1,240,000	525,000	June 1, 2022	3.550%	100%
Series 2014C	3,125,000	2,250,000	June 1, 2026	4.380%	100%
Series 2014D	138,000	36,000	June 1, 2019	2.980%	100%
	$ 21,173,000	$ 15,886,000			

The Bonds were issued for the purpose of providing funds for certain projects for the Company consisting of (i) the refinancing and paying down of old debt and (ii) issuance cost of the Series 2014 Bonds totaling $871,100. These costs will be amortized over the life of the bonds. At June 30, 2018, the unamortized bond issuance cost was $547,713.

The 2014 Bonds loan agreement requires principal payments through June 1, 2029, and the maintenance of certain reserve funds. Principal payments are due annually. Interest payments are due semiannually. The principal balance outstanding on the Bonds was $15,886,000 at June 30, 2018.

The Bonds are special obligations of the Issuer and are payable solely from the revenues, receipts and other payments derived from the loan by the Bank from the Company. As security for the Bonds and the Company's obligations under the Loan Agreement, the Company has granted to the Issuer a first priority mortgage lien and security interest in the Facility pursuant to a certain Mortgage, Assignment of Rents, Security Agreement and Fixture Filing.

Annual debt service amounts payable during the next five years and thereafter are as follows:

2019	$ 1,686,000
2020	1,690,000
2021	1,760,000
2022	1,870,000
2023	1,760,000
Thereafter	10,005,000
	18,771,000
Less net unamortized discount	(30,980)
Less unamortized debt issuance cost	(714,949)
Total	$ 18,025,071

Interest expense was $764,889 in 2018 and includes amortization of debt issuance cost of $99,738.

Note 10: Commitments and Contingencies

(a) Noncancelable leases principally relate to office space, residential housing, office equipment and automobiles. These leases expire between July 2018 and December 2029. Minimum payments for the next five years and thereafter are as follows:

2019	$ 3,132,000
2020	2,920,000
2021	1,160,000
2022	781,000
2023	515,000
Thereafter	2,759,000
Total	$ 11,267,000

(b) Total rent expense, including office equipment and vehicle leases, amounted to $4,215,424.

(c) During the period from January 2000 to December 2005, workers' compensation coverage was provided by the Provider Agency Trust for Human Services (the Trust). In May 2015, Rising Ground agreed to a settlement of $562,976, plus interest at 3.5 percent, resulting in 120 monthly payments of $5,567 beginning July 2015. The balance as of June 30, 2018 was $414,220, which is included in accrued payroll and employee benefits on the accompanying statement of financial position.

Principal payments over the next five years and thereafter are as follows:

2019	$ 53,154
2020	55,044
2021	57,002
2022	59,029
2023	61,129
Thereafter	128,862
Total	$ 414,220

Interest expense was $15,476 in 2018.

(d) Rising Ground is involved with third parties in legal matters in which damages and other remedies are sought. Such suits and claims are either specifically covered by insurance or are not material. While the outcome of these suits cannot be determined at this time, management believes that any loss which may arise from these actions will not have a material adverse effect on the financial position or results of operations of Rising Ground.

(e) Rising Ground is responsible for reporting to several third parties. These agencies, as well as all Rising Ground's funding sources have the right to audit its books and records.

The eventual liability to governmental agencies, if any, upon final settlement of the open years has not been finalized. However, Rising Ground has recorded estimated provisions of approximately $5,164,664 for the eventual settlement of the open cost reporting periods and are included in accrued expenses and other liabilities.

(f) Rising Ground has undergone audits and reviews from governmental agencies for which a combined liability of $2,618,117 has been included in the consolidated financial statements. Rising Ground has agreed to settlement plans with some of the agencies for $1,371,079 with terms ranging from 3 to 10 years. Approximately $1,065,000 has been set aside in restricted cash as of June 30, 2018, for liabilities where, as of the date of the consolidated financial statements, no settlement plan has been agreed to.

Minimum payments for the next five years and thereafter are as follows:

2019	$ 426,756
2020	426,756
2021	327,567
2022	30,000
2023	30,000
Thereafter	130,000
Total	$ 1,371,079

Note 11: Net Assets

Temporarily restricted net assets at June 30, 2018, are available for the following purposes:

Parent child home program	$	227,358
J. Douglas Richards fund		25,000
	$	252,358

Permanently restricted net assets at June 30, 2018, are restricted to:

Investment in perpetuity, the income of which is expendable to support		
Maintenance and education of half orphan and dependent girls	$	703,305
Education and support of the children who are no longer residing at Rising Ground		100,472
Any activity of Rising Ground		1,557,319
Beneficial interest in two perpetual trusts		1,657,216
	$	4,018,312

Net assets were released from restrictions by satisfying the following purpose:

Parent child home program	$	149,556

Note 12: Endowment

General

Rising Ground's endowment consists of four individual donor-restricted endowment funds as follows:

The **Orphan's Fund** contains the funds formerly held by the Orphans Home and Asylum. The income may be used from time to time as the Board of Directors may designate. Its "historic value" is $1,557,319.

The **Sevilla Fund** contains the funds formerly held by the Sevilla Home for Children. Its "historic value" is $527,479. The income from this fund is for maintenance and education, including religious instruction of orphans, half-orphans and dependent girls.

The **Hopewell Fund** stems from the Hopewell Society of Brooklyn and its "historic value" is $175,826. In brief, the income from this fund is for maintenance and education, including religious instruction of orphans, half-orphans and dependent girls.

The Andrew Peck Memorial Fund (**Peck Fund**) is an endowment created in 1927 with $100,472. The income is to be spent furthering the education and support of the children who are no longer residing at Rising Ground.

As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Rising Ground adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA permits charities to apply a spending policy to endowments based on certain specified standards of prudence. Rising Ground is governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7 percent of the average of its previous five years' balance. As a result of this interpretation, Rising Ground classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Endowment Net Asset Composition by Type of Fund as of June 30, 2018

The endowment net asset composition of $2,361,096 consists of permanently donor-restricted funds.

Changes in Endowment Net Assets for the Year Ended June 30, 2018

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 2,361,096	$ 2,361,096
Interest and dividends	35,958	-	35,958
Appropriation of endowment assets for expenditure	(35,958)	-	(35,958)
Endowment net assets, end of year	$ -	$ 2,361,096	$ 2,361,096

The objective of Rising Ground endowment is to generate revenues to support programs, as defined above, while maintaining the principal endowment funds at the original amount designated by the donor. The investment policy to achieve this objective is to invest in low-risk securities. Investment income earned in relation to the endowment funds is recorded as temporarily restricted income and released from restriction upon expenditure for the program for which the endowment fund was established. Restricted investment income earned and expended in the same fiscal year is reflected as unrestricted revenue.

There were no funds with deficiencies as of June 30, 2018.

Note 13: Retirement Plan

Rising Ground has a defined contribution pension plan covering substantially all employees. Rising ground matched 75 percent of the first 3 percent of the employee's base salary contributed to the plan. Effective January 1, 2018, Rising Ground matches 100 percent of the first 4 percent of the employee's base salary that an employee contributes. Pension expense was $533,291 for the year ended June 30, 2018.

Note 14: Significant Estimates and Concentrations

Rising Ground received approximately 59 percent of their operating revenues from the City of New York in 2018.

87 percent of Rising Ground's accounts receivable is from the City of New York, Westchester County, the State of New York and several municipalities within the State at June 30, 2018.

Investments

Rising Ground invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of financial position.

Note 15: Related Parties

During 2018, a Board member, and the spouse of another Board member were senior officers at a bank which provides banking services for Rising Ground. Fees and interest paid to the bank were approximately $77,000 in 2018.

A Board member of Rising Ground is senior counsel of a law firm retained by Rising Ground. No legal fees were paid to the law firm for the year ended June 30, 2018.

Note 16: Subsequent Events

Subsequent events have been evaluated through December 28, 2018, which is the date the consolidated financial statements were available to be issued.

On August 3, 2018, Rising Ground closed on a Membership Agreement with Edwin Gould Services for Children and Families (EGSCF). By the Membership Agreement, Rising Ground became the sole member of EGSCF. Rising Ground became the parent agency and EGSCF is the subsidiary agency. According to the terms of the Membership Agreement, EGSCF will continue to provide services in connection with its purpose and Rising Ground assumed no liabilities of EGSCF.

Supplementary Information

Rising Ground, Inc. and Affiliate
(Formerly Known as Leake and Watts Services, Inc.)
Consolidating Schedule of Financial Position
June 30, 2018
(With Summarized Financial Information for June 30, 2017)

	Rising Ground, Inc.	The Emergency Shelter, Inc.	Eliminations	Total 2018	Total 2017
Assets					
Current Assets					
Cash and cash equivalents	$ 2,597,467	$ 323,877	$ -	$ 2,921,344	$ 4,731,947
Investments	6,083,731	-	-	6,083,731	7,822,148
Investments - certificates of deposit	-	25,000	-	25,000	25,000
Accounts receivable (net of allowance of $110,000)	12,902,089	573,415	(573,415)	12,902,089	9,671,905
Other receivable	239,481	-	-	239,481	133,128
Prepaid expenses	1,396,859	-	-	1,396,859	838,719
Accrued investment interest receivable	29,771	-	-	29,771	31,768
Total current assets	23,249,398	922,292	(573,415)	23,598,275	23,254,615
Assets Limited as to Use					
Assets limited as to use - investments	557,844	-	-	557,844	821,326
Cash reserve for liabilities	1,600,000	-	-	1,600,000	-
Total assets limited as to use	2,157,844	-	-	2,157,844	821,326
Other Assets					
Investments	2,361,096	-	-	2,361,096	2,361,096
Security deposits	150,427	-	-	150,427	105,727
Beneficial interest in perpetual trusts	-	1,657,216	-	1,657,216	1,593,169
Fixed assets - net	30,308,433	-	-	30,308,433	32,352,740
Total other assets	32,819,956	1,657,216	-	34,477,172	36,412,732
Total assets	$ 58,227,198	$ 2,579,508	$ (573,415)	$ 60,233,291	$ 60,488,673

Rising Ground, Inc. and Affiliate
(Formerly Known as Leake and Watts Services, Inc.)
Consolidating Schedule of Financial Position
June 30, 2018
(With Summarized Financial Information for June 30, 2017)

	Rising Ground, Inc.	The Emergency Shelter, Inc.	Eliminations	Total 2018	Total 2017
Liabilities and Net Assets					
Current Liabilities					
Accounts payable	$ 2,895,139	$ -	$ -	$ 2,895,139	$ 3,865,207
Accrued payroll and employee benefits	5,056,504	-	-	5,056,504	4,549,513
Accrued expenses and other liabilities	6,882,033	28,750	(573,415)	6,337,368	5,746,883
Advances from government agencies	975,074	-	-	975,074	2,117,721
Due to government agencies	1,673,794	-	-	1,673,794	-
Accrued interest payable	36,944	-	-	36,944	39,844
Line of credit and notes payable	761,008	-	-	761,008	725,361
Capital leases payable	92,552	-	-	92,552	23,412
Bonds payable - net	1,686,000	-	-	1,686,000	1,649,000
Total current liabilities	20,059,048	28,750	(573,415)	19,514,383	18,716,941
Long-Term Liabilities					
Accrued payroll and employee benefits	361,067	-	-	361,067	414,220
Line of credit and notes payable	6,020,342	-	-	6,020,342	6,774,940
Capital leases payable	295,952	-	-	295,952	69,096
Due to government agencies	944,323	-	-	944,323	-
Bonds payable - net	16,339,071	-	-	16,339,071	17,921,834
Total long-term liabilities	23,960,755	-	-	23,960,755	25,180,090
Total liabilities	44,019,803	28,750	(573,415)	43,475,138	43,897,031
Net Assets					
Unrestricted	11,593,941	893,542	-	12,487,483	12,462,821
Temporarily restricted	252,358	-	-	252,358	174,556
Permanently restricted	2,361,096	1,657,216	-	4,018,312	3,954,265
Total net assets	14,207,395	2,550,758	-	16,758,153	16,591,642
Total liabilities and net assets	$ 58,227,198	$ 2,579,508	$ (573,415)	$ 60,233,291	$ 60,488,673

Rising Ground, Inc. and Affiliate
(Formerly Known as Leake and Watts Services, Inc.)
Consolidating Schedule of Activities
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018										2017
	Rising Ground, Inc.			The Emergency Shelter, Inc.			Total				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Permanently Restricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating Revenues											
Program revenue	$ 95,772,179	$ -	$ -	$ -	$ -	$ -	$ 95,772,179	$ -	$ -	$ 95,772,179	$ 88,929,622
In-kind contributions	373,180	-	-	-	-	-	373,180	-	-	373,180	469,160
Program development grant	1,142,647	-	-	-	-	-	1,142,647	-	-	1,142,647	-
Total operating revenues	97,288,006	-	-	-	-	-	97,288,006	-	-	97,288,006	89,398,782
Operating Expenses											
Program services	89,480,088	-	-	75,000	-	(75,000)	89,480,088	-	-	89,480,088	84,104,611
Supporting Services											
Management and general	10,310,207	-	-	7,276	-	(18,157)	10,299,326	-	-	10,299,326	9,002,971
Development	283,260	-	-	-	-	-	283,260	-	-	283,260	282,065
Total supporting services	10,593,467	-	-	7,276	-	(18,157)	10,582,586	-	-	10,582,586	9,285,036
Total operating expenses	100,073,555	-	-	82,276	-	(93,157)	100,062,674	-	-	100,062,674	93,389,647
Change in Net Assets from Operations	(2,785,549)	-	-	(82,276)	-	93,157	(2,774,668)	-	-	(2,774,668)	(3,990,865)
Nonoperating Revenues											
Investment income	1,125,630	-	-	98,615	-	(18,157)	1,206,088	-	-	1,206,088	1,416,179
Capital improvement grant	99,264	-	-	-	-	-	99,264	-	-	99,264	127,387
Contributions	989,206	227,358	-		-	(75,000)	914,206	227,358	-	1,141,564	1,339,937
Special events	557,301	-	-	-	-	-	557,301	-	-	557,301	529,441
Direct costs of special events	(127,085)	-	-	-	-	-	(127,085)	-	-	(127,085)	(124,720)
Change in value of beneficial interest in perpetual trusts	-	-	-	-	64,047	-	-	-	64,047	64,047	156,263
Miscellaneous income	-	-	-	-	-	-	-	-	-	-	37
Net assets released from restrictions	149,556	(149,556)	-	-	-	-	149,556	(149,556)	-	-	-
Change in Net Assets	8,323	77,802	-	16,339	64,047	-	24,662	77,802	64,047	166,511	(546,341)
Net Assets, Beginning of Year	11,585,618	174,556	2,361,096	877,203	1,593,169	-	12,462,821	174,556	3,954,265	16,591,642	17,137,983
Net Assets, End of Year	$ 11,593,941	$ 252,358	$ 2,361,096	$ 893,542	$ 1,657,216	$ -	$ 12,487,483	$ 252,358	$ 4,018,312	$ 16,758,153	$ 16,591,642

Rising Ground, Inc. and Affiliate
(Formerly Known as Leake and Watts Services, Inc.)
Consolidated Schedule of Functional Expenses
Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	2018											2017
	Program Services						Supporting Services					
	Child Welfare	Special Education	Developmental Disabilities	Juvenile Justice	Early Childhood	Total	Management and General	Development	Direct Costs of Special Events	Total	Total	Total
Employee Compensation and Benefits												
Salaries and wages	$ 19,203,119	$ 10,168,200	$ 8,024,242	$ 7,392,946	$ 5,622,622	$ 50,411,129	$ 5,166,737	$ 160,253	$ -	$ 5,326,990	$ 55,738,119	$ 51,320,313
Fringe benefits	5,174,199	2,742,654	2,129,280	2,027,413	1,542,088	13,615,634	1,312,326	45,690	-	1,358,016	14,973,650	14,339,788
Total employee compensation and benefits	24,377,318	12,910,854	10,153,522	9,420,359	7,164,710	64,026,763	6,479,063	205,943	-	6,685,006	70,711,769	65,660,101
Specific Assistance to Individuals												
Payments to foster parents	2,273,279	-	-	-	-	2,273,279	-	-	-	-	2,273,279	1,989,543
Food	446,899	74,026	195,126	433,206	147,852	1,297,109	-	-	-	-	1,297,109	1,427,443
Children's allowances and activities	1,250,381	129,741	116,415	476,431	38,485	2,011,453	-	-	-	-	2,011,453	1,623,353
Consumer incidentals	24,463	-	1,270	14,221	-	39,954	-	-	-	-	39,954	59,361
Clothing	120,228	-	17,450	29,608	733	168,019	-	-	-	-	168,019	108,700
Total specific assistance to individuals	4,115,250	203,767	330,261	953,466	187,070	5,789,814	-	-	-	-	5,789,814	5,208,400
Occupancy												
Interest expense	172,578	252,010	277,723	-	126,053	828,364	321,962	-	-	321,962	1,150,326	1,355,915
Rent	848,080	704,105	346,381	358,386	1,137,899	3,394,851	-	-	-	-	3,394,851	3,282,583
Utilities	345,291	332,553	177,990	107,956	163,525	1,127,315	91,215	-	-	91,215	1,218,530	1,289,852
Maintenance and repairs	229,859	110,231	161,378	283,235	110,764	895,467	242,530	-	-	242,530	1,137,997	1,014,763
Security	73,106	42,741	51,440	68,161	24,189	259,637	17,851	282	-	18,133	277,770	302,198
Janitorial services	108,649	66,604	48,609	6,872	89,196	319,930	212,841	-	-	212,841	532,771	451,393
Total occupancy	1,777,563	1,508,244	1,063,521	824,610	1,651,626	6,825,564	886,399	282	-	886,681	7,712,245	7,696,704
Professional Fees												
Clinical services	68,051	-	12,501	45,729	1,013,017	1,139,298	-	-	-	-	1,139,298	1,083,904
Legal and audit	167,014	93,278	21,876	19,571	35,746	337,485	212,270	-	-	212,270	549,755	540,365
Other independent contractors	286,952	382,797	197,263	51,762	788,488	1,707,262	677,329	524	-	677,853	2,385,115	2,378,852
Total professional fees	522,017	476,075	231,640	117,062	1,837,251	3,184,045	889,599	524	-	890,123	4,074,168	4,003,121
Other												
Supplies	682,376	515,945	188,094	262,588	269,431	1,918,434	171,373	25,683	12,028	209,084	2,127,518	1,851,280
Transportation and other travel-related expenses	452,054	22,349	147,247	70,288	8,139	700,077	66,963	4,994	-	71,957	772,034	851,242
Insurance	365,357	213,938	272,196	135,361	127,768	1,114,620	174,224	-	-	174,224	1,288,844	1,368,135
Telephone	217,582	201,856	190,923	107,067	124,130	841,558	268,378	408	-	268,786	1,110,344	796,921
Vehicle rentals, repairs and replacement	197,728	34,778	259,052	75,925	-	567,483	30,899	-	-	30,899	598,382	593,017
Equipment/furniture rentals, repairs and replacement	294,673	78,852	78,202	45,980	70,906	568,613	142,682	4,941	-	147,623	716,236	578,238
Staff development	198,903	59,247	52,967	209,557	33,577	554,251	53,825	-	-	53,825	608,076	755,971
Staff recruitment	81,900	37,539	26,021	19,140	45,589	210,189	117,787	2,946	-	120,733	330,922	245,583
Printing, postage, subscriptions, publications	10,699	25,549	688	624	2,894	40,454	97,513	34,737	-	132,250	172,704	121,911
Dues, licenses, permits	52,544	37,803	1,035	-	16,854	108,236	107,733	1,540	-	109,273	217,509	143,689
Line of credit interest expense	-	-	-	-	-	-	205,004	-	-	205,004	205,004	126,465
Investment management fees	-	-	-	-	-	-	67,769	-	-	67,769	67,769	70,524
Miscellaneous	18,457	(169)	22,766	17,436	28,422	86,912	355,148	185	115,057	470,390	557,302	466,964
Total other	2,572,273	1,227,687	1,239,191	943,966	727,710	6,710,827	1,859,298	75,434	127,085	2,061,817	8,772,644	7,969,940
Total expenses before depreciation and amortization	33,364,421	16,326,627	13,018,135	12,259,463	11,568,367	86,537,013	10,114,359	282,183	127,085	10,523,627	97,060,640	90,538,266
Depreciation and Amortization	741,834	575,677	593,483	856,850	175,231	2,943,075	252,736	1,077	-	253,813	3,196,888	3,046,625
Total expenses	34,106,255	16,902,304	13,611,618	13,116,313	11,743,598	89,480,088	10,367,095	283,260	127,085	10,777,440	100,257,528	93,584,891
Less Expenses Deducted Directly from Revenues on the Consolidated Statement of Activities												
Investment management fees	-	-	-	-	-	-	(67,769)	-	-	(67,769)	(67,769)	(70,524)
Direct cost of special events	-	-	-	-	-	-	-	-	(127,085)	(127,085)	(127,085)	(124,720)
Total expenses reported by function on the consolidated statement of activities	$ 34,106,255	$ 16,902,304	$ 13,611,618	$ 13,116,313	$ 11,743,598	$ 89,480,088	$ 10,299,326	$ 283,260	$ -	$ 10,582,586	$ 100,062,674	$ 93,389,647