

RIZE MASSACHUSETTS FOUNDATION, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Finance and Audit Committee of
RIZE Massachusetts Foundation, Inc.

We have audited the accompanying financial statements of RIZE Massachusetts Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RIZE Massachusetts Foundation, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited RIZE Massachusetts Foundation, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Chestnut Hill, Massachusetts
June 14, 2021

RIZE MASSACHUSETTS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Cash	\$ 5,544,689	\$ 7,459,503
Cash held with donor restrictions	269,790	300,000
Pledges receivable, net	1,618,768	750,000
Prepaid expenses	-	625
	<hr/>	<hr/>
Total assets	\$ <u>7,433,247</u>	\$ <u>8,510,128</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 224,449	\$ 154,212
Accrued expenses	6,997	13,375
	<hr/>	<hr/>
Total liabilities	231,446	167,587
	<hr/>	<hr/>
Net assets:		
Without donor restrictions	5,528,243	7,292,541
With donor restrictions	1,673,558	1,050,000
	<hr/>	<hr/>
Total net assets	7,201,801	8,342,541
	<hr/>	<hr/>
Total liabilities and net assets	\$ <u>7,433,247</u>	\$ <u>8,510,128</u>

RIZE MASSACHUSETTS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues:				
Contributions and grants	\$ 1,241,118	\$ 1,253,768	\$ 2,494,886	\$ 11,221,709
Donated services and other	74,587	-	74,587	167,905
Interest income	14,699	-	14,699	23,472
Net realized loss on investments	(882)	-	(882)	-
Net assets released from restrictions	630,210	(630,210)	-	-
Total support and revenues	<u>1,959,732</u>	<u>623,558</u>	<u>2,583,290</u>	<u>11,413,086</u>
Expenses:				
Program services	3,098,409	-	3,098,409	2,359,668
General and administrative	216,374	-	216,374	227,338
Fundraising	409,247	-	409,247	483,539
Total expenses	<u>3,724,030</u>	<u>-</u>	<u>3,724,030</u>	<u>3,070,545</u>
Increase (decrease) in net assets	(1,764,298)	623,558	(1,140,740)	8,342,541
Net assets, beginning of year	<u>7,292,541</u>	<u>1,050,000</u>	<u>8,342,541</u>	<u>-</u>
Net assets, end of year	<u>\$ 5,528,243</u>	<u>\$ 1,673,558</u>	<u>\$ 7,201,801</u>	<u>\$ 8,342,541</u>

RIZE MASSACHUSETTS FOUNDATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020 (With Comparative Totals for the Year Ended December 31, 2019)

	2020				2019
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Awards and grants	\$ 2,373,689	\$ -	\$ -	\$ 2,373,689	\$ 1,742,184
Contract services	676,589	112,675	369,526	1,158,790	1,098,942
Accounting	-	55,140	-	55,140	29,760
Legal fees	21,878	5,586	19,085	46,549	140,470
Professional development	-	26,058	99	26,157	438
Occupancy	8,948	2,285	7,805	19,038	19,035
Office expenses	5,713	5,151	3,379	14,243	8,028
Computer Support	3,000	766	5,234	9,000	8,400
Telephone	3,272	1,069	2,972	7,313	4,562
Insurance	-	6,328	-	6,328	959
Conferences and meetings	3,593	540	-	4,133	4,022
Equipment rental	1,136	289	991	2,416	1,657
Travel	591	487	156	1,234	12,088
Total	<u>\$ 3,098,409</u>	<u>\$ 216,374</u>	<u>\$ 409,247</u>	<u>\$ 3,724,030</u>	<u>\$ 3,070,545</u>

RIZE MASSACHUSETTS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (1,140,740)	\$ 8,342,541
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Realized loss on investments	882	-
Fair market value of non-cash contributions	(50,925)	-
Changes in operating assets and liabilities:		
Pledges receivable	(868,768)	(750,000)
Prepaid expenses	625	(625)
Accounts payable	70,237	154,212
Accrued expenses	(6,378)	13,375
Net cash provided by (used for) operating activities	<u>(1,995,067)</u>	<u>7,759,503</u>
Cash flows from investing activities:		
Proceeds from sale of investments	<u>50,043</u>	-
Net cash provided by investing activities	<u>50,043</u>	-
Net increase (decrease) in cash	(1,945,024)	7,759,503
Cash, beginning of year	<u>7,759,503</u>	-
Cash, end of year	\$ <u><u>5,814,479</u></u>	\$ <u><u>7,759,503</u></u>

RIZE MASSACHUSETTS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

Note 1 **Nature of Organization**

RIZE Massachusetts Foundation, Inc. (the "Foundation") is a non-profit organization incorporated in the Commonwealth of Massachusetts on June 18, 2018. The Foundation works to end the opioid epidemic in Massachusetts and reduce its devastating impact on people, communities, and the economy. Prior to its incorporation, the Foundation operated under a fiscal sponsorship agreement with Third Sector New England, Inc. Under this agreement, effective March 28, 2017 through May 25, 2019, all income and expenses were recorded by the fiscal sponsor. As of May 14, 2019, the Foundation changed its fiscal year to a calendar year, January 1 to December 31.

In pursuit of its mission, the Foundation operates under a strategic framework in three key focus areas:

Care delivers comprehensive, compassionate, and sustainable approaches to prevention, harm reduction, treatment, and recovery.

Human Impact delivers efforts to reduce the impact of opioid use disorder on the economy, families, and communities.

Knowledge delivers data, commissioned research, and evaluation to expand the evidence base and inform policy.

Activities in support of all program areas and the general Foundation mission are classified as **Other Program**.

Note 2 **Summary of significant accounting policies**

Basis of accounting

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

Basis of presentation

Accounting standards require the Foundation to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions are comprised of assets relating to activities that are not subject to donor stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. There were no assets designated for specific purposes by the Board of Directors as of December 31, 2020 and 2019. Contributions with donor restrictions that are received and expended in the same reporting period are presented as net assets without donor restrictions.

RIZE MASSACHUSETTS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

Note 2 **Summary of significant accounting policies (continued)**

Basis of presentation (continued)

Net assets with donor restrictions are comprised of those assets for which use is limited by donor-imposed stipulations that will either expire with the passage of time or be fulfilled by actions of the Foundation. Other donor restrictions are perpetual in nature, whereby the donor stipulated that the corpus of the donation be maintained in perpetuity. As of December 31, 2020 and 2019, the Foundation maintained no assets for which the corpus must be maintained in perpetuity.

Net assets with donor restrictions consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net assets with restrictions to expire with the passage of time	\$ <u>1,603,768</u>	\$ <u>1,050,000</u>
Services for first responders and critical care providers	19,790	-
Mobile addiction services	<u>50,000</u>	-
Net assets with purpose restrictions	<u>69,790</u>	-
	\$ <u><u>1,673,558</u></u>	\$ <u><u>1,050,000</u></u>

Income tax status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Foundation is also exempt from state income taxes.

The Financial Accounting Standards Board has issued a standard that clarifies the accounting and recognition of income tax positions taken or expected to be taken in the Foundation's tax returns. The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Foundation believes that tax positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's financial condition, results of operations or cash flows. Accordingly, the Foundation has not recorded any reserves or related accruals for interest and penalties for uncertain tax positions. If the Foundation incurs interest or penalties, as a result of unrecognized tax positions, the policy is to classify interest accrued with interest expense and penalties thereon with general and administrative expenses. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

RIZE MASSACHUSETTS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

Note 2 **Summary of significant accounting policies (continued)**

Contribution and grant revenue

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions are recorded as revenue when earned by the Foundation, which may be when cash is received, unconditional promises are made, or ownership of other assets are transferred to the Foundation. Contributions are recorded at fair value at the date of donation.

Pledges receivable

The Foundation reviews its pledges receivable on a regular basis to determine if any receivable will potentially be uncollectible. The Foundation establishes an allowance for uncollectible amounts as necessary. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on the information available, the Foundation considers the pledges receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is necessary. Unconditional pledges are recognized as revenues in the period the commitment is received. Conditional pledges are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated services and other

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. The Foundation utilized an office space that was considered as a donation, which is recorded at fair value.

During the years ended December 31, 2020 and 2019, the Foundation received and recognized donated services and other, recorded at fair market value, as follows:

	<u>2020</u>	<u>2019</u>
Legal services	\$ 46,549	\$ 140,470
IT support	9,000	8,400
Occupancy	<u>19,038</u>	<u>19,035</u>
	\$ <u><u>74,587</u></u>	\$ <u><u>167,905</u></u>

Functional allocation of expenses

The costs of providing the Foundation's programs and supporting services have been summarized in the statements of functional expenses. Expenses related directly to program activities are charged directly to program services while other expenses that are common to several functions are allocated based on management's estimates, among major classes of program services and support activities. The expenses that have been allocated include contract services, various professional fees, office expenses, occupancy, telephone, travel, equipment rental, and conferences and meeting expenses, based on time and effort.

RIZE MASSACHUSETTS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

Note 2 **Summary of significant accounting policies (continued)**

Fair value of financial instruments

The carrying amounts of financial instruments, including cash, pledges receivable, accounts payable and accrued expenses approximate fair value due to the short-term maturities of these assets and liabilities.

Use of estimates

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

Subsequent events

Subsequent events were evaluated through June 14, 2021, which is the date the financial statements were available to be issued.

As a result of the COVID-19 outbreak in 2020, a novel strain of coronavirus, uncertainties have arisen that are expected to have an impact on the world-wide economy. Foundation management expects that their operations will continue to be affected. However, management cannot reasonably estimate the duration or the effect that this will have on the Foundation's financial position. Management is taking steps to mitigate any negative effects on operations, including but not limited to, availing itself to applicable government assistance.

Note 3 **Availability and liquidity**

The following reflects the Foundation's financial assets as of December 31, 2020, available to meet cash needs:

Financial assets at year end:	
Cash	\$ 5,814,479
Pledge receivable, net	1,618,768
Net assets with donor restrictions	<u>(1,673,558)</u>
	<u>5,759,689</u>
Expiration of time based donor restrictions	<u>400,000</u>
Total financial assets available within one year	<u>\$ 6,159,689</u>

The Foundation is supported by general contributions and grants related to the operation of the Foundation. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations may come due.

RIZE MASSACHUSETTS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

Note 4 **Pledges receivable**

The pledges receivable represent outstanding grants, long term pledges receivable are discounted at a rate of 3.25% to arrive at net present value. As of December 31, 2020, and 2019, outstanding pledges receivable totaled \$1,618,768 and \$750,000, respectively.

At December 31, 2020 and 2019, pledge receivable consisted of the following:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 340,000	\$ 300,000
Receivable in one to five years	<u>1,325,000</u>	<u>450,000</u>
	1,665,000	750,000
Less discount to net present value	<u>(46,232)</u>	<u>-</u>
	\$ <u><u>1,618,768</u></u>	\$ <u><u>750,000</u></u>

Note 5 **Paycheck Protection Program**

On April 29, 2020, the Foundation received \$102,032 of funds under the Paycheck Protection Program of H.R. 748 ("PPP"), the purpose of which is to provide emergency assistance for organizations affected by the 2020 coronavirus pandemic. The Foundation has requested in writing that the principal balance of the note and all accrued interest be forgiven upon certification that all proceeds of the note have been used for forgivable purposes as described in 13 CFR Part 120 and the guidance promulgated thereunder by the Small Business Association.

Management has elected to account for the PPP note payable proceeds as a government grant, which allows an entity to recognize forgiveness when there is reasonable assurance that conditions for forgiveness have been met. On January 16, 2021, the Foundation received confirmation that the PPP note payable was forgiven in full, and the forgiveness totaling \$102,032 is reported as contributions and grants revenue in the accompanying statement of activities and changes in net assets for the year ended December 31, 2020.

On January 24, 2021, the Foundation received \$85,481 as part of the second round of PPP.

Note 6 **Related party transactions**

The Foundation makes grants to various organizations with which certain board members are affiliated. During the years ended December 31, 2020 and 2019, the Foundation granted funds to these various organizations in the amounts of \$265,275 and \$203,307, respectively.

RIZE MASSACHUSETTS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2020 and 2019

Note 6 **Related party transactions (continued)**

Additionally, the Foundation receives corporate and private foundation grants from organizations with which board members are affiliated. During the years ended December 31, 2020, and 2019, the Foundation received various grants in the amounts of \$1,759,215 and \$8,591,667, respectively.

At December 31, 2020, and 2019, total pledges receivable with related parties totaled \$1,403,768 and \$750,000, respectively.

Note 7 **Concentrations of credit risk**

Cash

The Foundation maintains its cash at financial institutions in bank deposits, which may exceed federally-insured limits. The Foundation has not experienced any losses in such accounts. The Foundation's management believes it is not exposed to any significant risk with regard to bank deposits.

Significant grantor

A significant grantor is defined as a grantor that accounts for more than 10% of gross contributions and grants in a year. During the year ending December 31, 2020, three grantors represented approximately 63% of total contributions and grants. These three grantors comprised 59% of the total pledges receivable as of December 31, 2020. One grantor represented approximately 59% of total contributions and grants for the year ended December 31, 2019, there were no pledges receivable from this grantor as of December 31, 2019.