

Up2Us, Inc.

Financial Statements

August 31, 2021

Up2Us, Inc.

Financial Statements

August 31, 2021

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Independent Auditors' Report

Board of Directors
Up2Us, Inc.

We have audited the accompanying financial statements of Up2Us, Inc. ("Up2Us"), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, 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.

Auditors' 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Up2Us, Inc. as of August 31, 2021, 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 Up2Us's August 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

June 9, 2022

Up2Us, Inc.

Statement of Financial Position
August 31, 2021
(with comparative amounts at August 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 1,390,249	\$ 803,961
Government grants receivable, net	966,509	482,226
Contracts receivable, net	457,619	288,417
Contributions receivable, net	320,250	27,040
Prepaid expenses	-	2,900
Security deposits	<u>9,403</u>	<u>9,403</u>
	<u>\$ 3,144,030</u>	<u>\$ 1,613,947</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Accounts payable and accrued expenses	\$ 453,037	\$ 717,800
Loan payable	-	50,000
Paycheck Protection Program loan payable	-	925,500
Deferred revenue	<u>354,595</u>	<u>66,525</u>
Total Liabilities	<u>807,632</u>	<u>1,759,825</u>
Net Assets (Deficit)		
Without donor restrictions	721,590	(1,854,773)
With donor restrictions	<u>1,614,808</u>	<u>1,708,895</u>
Total Net Assets (Deficit)	<u>2,336,398</u>	<u>(145,878)</u>
	<u>\$ 3,144,030</u>	<u>\$ 1,613,947</u>

See notes to financial statements

Up2Us, Inc.

Statement of Activities Year Ended August 31, 2021 (with summarized totals for the year ended August 31, 2020)

	2021		Total	2020 Total
	Without Donor Restrictions	With Donor Restrictions		
REVENUE AND SUPPORT				
Contributions	\$ 410,535	\$ 1,745,000	\$ 2,155,535	\$ 1,856,117
Government grants	2,902,944	-	2,902,944	3,357,496
Contract income	1,862,054	-	1,862,054	1,441,885
Donated services	241,078	-	241,078	254,767
Consulting income	49,451	-	49,451	109,165
Special event revenue (net of costs of direct benefits to donors of \$246 and \$0)	79,038	-	79,038	765
Other income	20,346	-	20,346	33,087
Net assets released from restrictions	<u>1,839,087</u>	<u>(1,839,087)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>7,404,533</u>	<u>(94,087)</u>	<u>7,310,446</u>	<u>7,053,282</u>
EXPENSES				
Program services	4,364,455	-	4,364,455	5,871,328
Management and general	1,256,054	-	1,256,054	1,065,444
Fundraising	<u>133,161</u>	<u>-</u>	<u>133,161</u>	<u>121,542</u>
Total Expenses	<u>5,753,670</u>	<u>-</u>	<u>5,753,670</u>	<u>7,058,314</u>
Excess (Deficiency) of Revenue and Support Over Expenses	1,650,863	(94,087)	1,556,776	(5,032)
NON-OPERATING ACTIVITIES				
CARES Act revenue	<u>925,500</u>	<u>-</u>	<u>925,500</u>	<u>-</u>
Change in Net Assets (Deficit)	2,576,363	(94,087)	2,482,276	(5,032)
NET ASSETS (DEFICIT)				
Beginning of year	<u>(1,854,773)</u>	<u>1,708,895</u>	<u>(145,878)</u>	<u>(140,846)</u>
End of year	<u>\$ 721,590</u>	<u>\$ 1,614,808</u>	<u>\$ 2,336,398</u>	<u>\$ (145,878)</u>

See notes to financial statements

Up2Us, Inc.

Statement of Functional Expenses Year Ended August 31, 2021 (with summarized totals for the year ended August 31, 2020)

	2021			2020 Total	
	Program Services	Management and General	Fundraising		Total
Salaries	\$ 1,667,818	\$ 593,786	\$ 94,375	\$ 2,355,979	\$ 2,212,035
Payroll taxes and employee benefits	463,500	116,418	16,318	596,236	709,273
Coaches'/Vistas' living allowance	1,718,605	-	-	1,718,605	2,205,151
Total Personnel	<u>3,849,923</u>	<u>710,204</u>	<u>110,693</u>	<u>4,670,820</u>	<u>5,126,459</u>
Program expenses (including in-kind uniforms of \$75,000 and \$75,000)	131,071	5,650	771	137,492	151,974
Grants to sub-grantees	150,880	-	-	150,880	281,703
Rent (including in-kind of \$75,740 and \$95,054)	19,789	140,502	-	160,291	217,162
Telephone and utilities	15,835	19,102	488	35,425	34,299
Repairs and maintenance	-	358	-	358	8,873
Equipment rental	71	1,546	-	1,617	3,008
Professional fees (including in-kind legal fees of \$90,338 and \$84,713)	92,499	318,913	19,774	431,186	874,749
Insurance	655	12,582	-	13,237	20,593
Publications, office equipment and supplies	8,714	19,309	297	28,320	56,565
Dues and subscriptions	1,624	5,322	28	6,974	22,838
Travel and conferences	4,414	3,214	-	7,628	134,566
Licenses and fees	3,239	8,295	636	12,170	41,982
Stipend	81,902	200	-	82,102	71,693
Bad debt	-	9,037	-	9,037	8,641
Miscellaneous	<u>3,839</u>	<u>1,820</u>	<u>720</u>	<u>6,379</u>	<u>3,209</u>
	4,364,455	1,256,054	133,407	5,753,916	7,058,314
Less direct benefits to donors	<u>-</u>	<u>-</u>	<u>(246)</u>	<u>(246)</u>	<u>-</u>
Total Expenses Reported by Function on Statement of Activities	<u>\$ 4,364,455</u>	<u>\$ 1,256,054</u>	<u>\$ 133,161</u>	<u>\$ 5,753,670</u>	<u>\$ 7,058,314</u>

See notes to financial statements

Up2Us, Inc.

Statement of Cash Flows Year Ended August 31, 2021

(with comparative amounts for the year ended August 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ 2,482,276	\$ (5,032)
Adjustments to reconcile change in net assets (deficit) to net cash from operating activities		
Bad debt expense	9,037	8,641
Forgiveness of Paycheck Protection Program loan	(925,500)	-
Changes in assets and liabilities		
Government grants receivable	(484,283)	(312,568)
Contracts receivable	(178,239)	(31,573)
Contributions receivable	(293,210)	102,134
Prepaid expenses	2,900	3,724
Security deposits	-	(900)
Accounts payable and accrued expenses	(264,763)	408,753
Deferred revenue	288,070	(160,671)
Government grant advances	-	(27,162)
Net Cash From Operating Activities	636,288	(14,654)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	70,621
Repayments of line of credit	-	(168,780)
Proceeds from Paycheck Protection Program loan	-	925,500
Proceeds from loan payable	-	175,000
Repayments of loans payable	(50,000)	(210,000)
Net Cash From Financing Activities	(50,000)	792,341
Net Change in Cash	586,288	777,687
CASH		
Beginning of year	803,961	26,274
End of year	\$ 1,390,249	\$ 803,961
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 3,530	\$ 22,187
Taxes paid	315	190

See notes to financial statements

Up2Us, Inc.

Notes to Financial Statements
August 31, 2021

1. Organization and Tax Status

Up2Us, Inc. ("Up2Us") is leading a national movement to advance sports as a tool for addressing the critical issues facing youth in this nation, including childhood obesity, academic failure, and anti-social behavior. Up2Us accomplishes this by supporting a national network of more than 500 member organizations operating in all fifty states. Together, these organizations serve 20 million youth through both traditional and nontraditional sports. Upon joining Up2Us, these members pledge to share best practices, advance initiatives that extend opportunities to new youth, and deliver quality programs in underserved communities where there is a tremendous need for constructive outlets for kids.

Up2Us has been notified by the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions – consist of resources available for the general support of Up2Us's operations and that may be used at the discretion of the Up2Us's management and Board of Directors.

With donor restrictions – consist of resources which have either an implied or stated time restriction or have been restricted by donors for specified activities including gift instruments requiring the principal be invested in perpetuity and the income be used for specific or general purposes. Donor restrictions that have been satisfied are reported in the statement of activities as net assets released from restrictions and are reclassified to net assets without donor restrictions.

Contract Income and Contracts Receivable

Contract income is recognized as income when the service for a host site is provided. The difference between revenue recognized and cash received is reflected as contracts receivable or deferred revenue in the statement of financial position.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2021

2. Summary of Significant Accounting Policies *(continued)*

Contract Income and Contracts Receivable (continued)

Payments that are expected to be received in less than one year are recorded at net realizable value. Those that are due beyond one year are recorded at net present value which is calculated using a risk adjusted rate of return. As of August 31, 2021, all outstanding contract receivables are due to be collected in less than one year.

Contribution and Contributions Receivable

Up2Us reports contributions at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions received with restrictions from the donor for specific purposes or time periods are reported as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Payments that are expected to be received in less than one year are recorded at net realizable value. Those that are due beyond one year are recorded at net present value which is calculated using a risk adjusted rate of return. As of August 31, 2021, all outstanding contributions receivable are due to be collected in less than one year.

Allowance for Doubtful Accounts

Management reviews receivables for collectability based on various factors such as historical experience and subsequent collections. Based on this review, management has established a reserve for potential uncollectible government grant payments of \$0 and \$34,251, contract payments of \$18,981 and \$60,757, and contributions payments of \$0 and \$12,650 as of August 31, 2021 and 2020.

Government Grants

Government grants are recognized as income when a reimbursable expense is incurred. The difference between revenue recognized and cash received is reflected as government grant receivable or government grant advances.

Donated Services and Rent

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2021

2. Summary of Significant Accounting Policies *(continued)*

Donated Services and Rent (continued)

The following schedule reflects the details of the donated goods and services received for the years ended August 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Legal services	\$ 90,338	\$ 84,713
Rent	75,740	95,054
Program uniforms	<u>75,000</u>	<u>75,000</u>
	<u>\$ 241,078</u>	<u>\$ 254,767</u>

Functional Allocation of Expenses

The costs of providing various programs, management and general and fundraising services have been summarized on a functional basis. Expenses readily identifiable to program or supporting services are charged directly to that function. Categories of expenses attributable to program, management and general or fundraising services are allocated on a reasonable basis. Allocated expenses among program, management and general and fundraising include rent, professional fees, telephone and utilities, publications, office equipment and supplies, dues and subscriptions, travel and conferences, and licenses and fees which are allocated based on time and costs where efforts are made.

Measure of Operations

Up2Us has elected to present an operating measure in its statement of activities. Accordingly, items affecting operations are segregated from those not affecting operations. The CARES Act revenue is treated as non-operating.

Summarized Comparative Financial Statements

The 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 U.S. GAAP. Such information should be read in conjunction with Up2Us's 2020 financial statements, from which the summarized comparative information is derived.

Accounting for Uncertainty of Income Taxes

Up2Us recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Up2Us has no uncertain tax positions that would require financial statement recognition and/or disclosure. Up2Us is no longer subject to examinations by the applicable taxing jurisdictions for the years prior to August 31, 2018.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2021

2. Summary of Significant Accounting Policies *(continued)*

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 9, 2022.

3. Concentration of Credit Risk

Financial instruments that potentially subject Up2Us to concentrations of credit risk consists principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. Up2Us does not believe that a significant risk of loss, due to the failure of a financial institution presently exists.

4. Net Assets with Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended August 31, 2021 and 2020:

<u>Purpose/Restriction</u>	<u>Balance at September 1, 2020</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance at August 31, 2021</u>
Member services	\$ 779,231	\$ 1,485,000	\$ (1,150,379)	\$ 1,113,852
Coach Across America	854,755	115,000	(567,262)	402,493
Gala	39,699	145,000	(105,563)	79,136
Other	35,210	-	(15,883)	19,327
Total	<u>\$ 1,708,895</u>	<u>\$ 1,745,000</u>	<u>\$ (1,839,087)</u>	<u>\$ 1,614,808</u>

<u>Purpose/Restriction</u>	<u>Balance at September 1, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance at August 31, 2020</u>
Member services	\$ 699,113	\$ 1,183,870	\$ (1,103,752)	\$ 779,231
Coach Across America	997,938	400,000	(543,183)	854,755
Gala	110,000	20,000	(90,301)	39,699
Other	48,500	-	(13,290)	35,210
Total	<u>\$ 1,855,551</u>	<u>\$ 1,603,870</u>	<u>\$ (1,750,526)</u>	<u>\$ 1,708,895</u>

5. Debt and Related Party Transactions

Bank Line of Credit

In 2016, Up2Us entered into a line of credit agreement with its primary bank in the amount of \$150,000 at a variable rate with monthly payments of 2% of the outstanding principal balance. As of August 31, 2021 and 2020, Up2Us had no outstanding balance.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2021

5. Debt and Related Party Transactions (*continued*)

Related Party Loan

In October 2019, Up2Us entered into an interest-free loan of \$100,000 to be paid back over two years with family members of a key member of management (the “related party”) as a result of the financial condition of Up2Us. From time to time, Up2Us receives loans from multiple related parties. As of August 31, 2021, Up2Us has fully repaid the loan.

Paycheck Protection Program Loan

On April 23, 2020, Up2Us received loan proceeds in the amount of \$925,500 under the Paycheck Protection Program (the “PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the “Covered Period”). The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the loan. Loan payments of principal and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration (“SBA”). If Up2Us does not apply for forgiveness, payments begin approximately 6 months after the loan date.

On April 16, 2021, the SBA notified Up2Us that its application of forgiveness of the entire PPP loan had been accepted and no repayment of interest or principal would be required. Consequently, the entire loan amount of \$925,500 has been reported as CARES Act revenue in the accompanying 2021 statement of activities.

6. Retirement Plan

Up2Us sponsors a tax deferred annuity plan under 403(b) of the Internal Revenue Code for all full-time employees. The employees designate a percentage of their salaries to be contributed to the plan. The plan is non-contributory on the part of Up2Us.

7. Commitments and Contingencies

Program Audits

Government supported projects are subject to audit by the applicable granting agency. Management feels that there is minimal risk that the results of any such audit would reflect disallowed costs and has not recorded an allowance for such an event. Any disallowed costs that may arise in the future will be recognized when Up2Us is notified, and a liability is considered probable. Subsequent to August 31, 2021, only one such audit commenced and management believes no such liabilities are expected.

Up2Us, Inc.

Notes to Financial Statements August 31, 2021

7. Commitments and Contingencies *(continued)*

Leases

As of August 31, 2021, Up2Us has leases for rental of office spaces in New Orleans, LA and Baltimore, MD. The leases expire at various times through 2022. Rent expense including in-kind, was \$122,181 and \$217,162 for the years ended August 31, 2021 and 2020. At August 31, 2021, future minimum lease payments owed in 2022 under these agreements were \$32,395.

8. Liquidity and Availability of Financial Assets

The following reflects Up2Us's financial assets as of August 31, 2021 and 2020, reduced by the amounts not available for general use within one year of that date because of donor-advised or contractual restrictions.

	2021	2020
Cash	\$ 1,390,249	\$ 803,961
Government grants receivable, net	966,509	482,226
Contracts receivable, net	457,619	288,417
Contributions receivable, net	<u>320,250</u>	<u>27,040</u>
Financial Assets at Year End	3,134,627	1,601,644
Less amount unavailable for general expenditures:		
Amounts restricted by donors	<u>(1,614,808)</u>	<u>(1,708,895)</u>
Financial Assets at Year-end Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,519,819</u>	<u>\$ (107,251)</u>

Operations of Up2Us are funded primarily by government grants, contributions and program service fees. Proactive budgeting and cash management is utilized to ensure availability of funds. In response to the COVID-19 pandemic, Up2Us has maintained many of its operations remotely, which has resulted in economic efficiencies resulting in expense savings in categories such as facilities and travel. Up2Us intends to keep many of these efficiencies to maintain the lower cost of operations, which will continue to increase the financial assets available for general use.

9. Concentration of Revenue and Receivables

For the years ended August 31, 2021 and 2020, government revenue comprised 35% and 48% of total revenue. For the year ended August 31, 2021, one private donor comprised 10% of total revenue. At August 31, 2021, grants from one agency comprised 40% of Up2Us's total receivables. At August 31, 2021, one private donor comprised 17% of Up2Us's total receivables. At August 31, 2020, grants from one agency comprised 27% of Up2Us's total receivables.

Up2Us, Inc.

Notes to Financial Statements
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10. Management's Discussion of Current Economic Environment and Continued Plans to Improve Results of Operations

In light of the on-going nature of the COVID-19 pandemic, Up2Us has created a remote/in-person program model which allows for flexibility in programming. This hybrid model has resulted in economic efficiencies resulting in expense savings in categories such as facilities and travel. Up2Us intends to keep many of these efficiencies to maintain the lower cost of operations.

In addition, due to the financial uncertainty during the COVID-19 pandemic, the AmeriCorps Corporation for National and Community Service ("AmeriCorps") waived the financial match requirement through Fiscal 2021 (July 2022) which helped to decrease the total expenditures needed to run the program and allow programs to scale down appropriately. In October of 2021, AmeriCorps provided American Recovery Plan Act funds to help cover any matching cost for programming. These funds allowed Up2Us to begin to scale up programming to pre-Covid numbers. Current forecasting models predict Fiscal 2023 could be one of the most impactful program years to date.

Up2Us continues to grow its programs and partnerships, including doubling program size in Los Angeles with a major baseball foundation, doubling the size of the Baltimore programming with a major football team, continuing sponsorships by large corporations, and hosting an in-person Gala scheduled for October of 2022.

11. Risks and Uncertainties

The ongoing coronavirus pandemic has resulted in substantial volatility in the global economy. The pandemic may potentially have an adverse effect on the results of operations. While management has implemented measures to mitigate the impact of the pandemic, including obtaining a PPP loan under the CARES Act as detailed in Note 5, the extent to which Up2Us's operations are impacted will depend on future developments, which are highly uncertain and cannot be predicted. As a result, management cannot reasonably estimate the overall impact of the coronavirus pandemic to Up2Us's future results of operations, cash flows, or financial condition.

* * * * *