

Up2Us, Inc.

Financial Statements

August 31, 2023

Up2Us, Inc.

Financial Statements

August 31, 2023

TABLE OF CONTENTS

Page

Independent Auditors' Report

FINANCIAL STATEMENTS

Statement of Financial Position

3

Statement of Activities

4

Statement of Functional Expenses

5

Statement of Cash Flows

6

Notes to Financial Statements

7-12

Independent Auditors' Report

Board of Directors
Up2Us, Inc.

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Up2Us, Inc. ("Up2Us"), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Up2Us as of August 31, 2023 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Up2Us and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Up2Us's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Up2Us's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Up2Us's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Up2Us's August 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 9, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

March 28, 2024

Up2Us, Inc.

Statement of Financial Position
August 31, 2023
(with comparative amounts at August 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 2,740,186	\$ 2,696,382
Government grants receivable	538,177	582,551
Contracts receivable, net	587,976	364,360
Contributions receivable	17,500	17,500
Prepaid expenses	7,310	122,603
Security deposits	<u>2,400</u>	<u>3,900</u>
	<u>\$ 3,893,549</u>	<u>\$ 3,787,296</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 379,792	\$ 407,609
Deferred revenue	<u>406,207</u>	<u>359,985</u>
Total Liabilities	<u>785,999</u>	<u>767,594</u>
Net Assets		
Without donor restrictions	1,202,596	1,138,673
With donor restrictions	<u>1,904,954</u>	<u>1,881,029</u>
Total Net Assets	<u>3,107,550</u>	<u>3,019,702</u>
	<u>\$ 3,893,549</u>	<u>\$ 3,787,296</u>

See notes to financial statements

Up2Us, Inc.

Statement of Activities Year Ended August 31, 2023 (with summarized totals for the year ended August 31, 2022)

	2023		Total	2022 Total
	Without Donor Restrictions	With Donor Restrictions		
REVENUE AND SUPPORT				
Contributions	\$ 199,716	\$ 1,344,010	\$ 1,543,726	\$ 1,506,598
Government grants	3,315,406	-	3,315,406	3,304,033
Contract income	2,643,686	-	2,643,686	2,113,739
Contributions of nonfinancial assets	74,374	-	74,374	77,192
Consulting income	85,152	-	85,152	36,218
Special event revenue (net of costs of direct benefits to donors of \$228,779 and \$0)	49,477	-	49,477	6,010
Other income	5,107	-	5,107	38,943
Net assets released from restrictions	1,320,085	(1,320,085)	-	-
Total Revenue and Support	<u>7,693,003</u>	<u>23,925</u>	<u>7,716,928</u>	<u>7,082,733</u>
EXPENSES				
Program services	5,929,229	-	5,929,229	4,860,946
Management and general	1,467,681	-	1,467,681	1,376,135
Fundraising	232,170	-	232,170	162,348
Total Expenses	<u>7,629,080</u>	<u>-</u>	<u>7,629,080</u>	<u>6,399,429</u>
Excess of Revenue and Support Over Expenses	63,923	23,925	87,848	683,304
NET ASSETS				
Beginning of year	<u>1,138,673</u>	<u>1,881,029</u>	<u>3,019,702</u>	<u>2,336,398</u>
End of year	<u>\$ 1,202,596</u>	<u>\$ 1,904,954</u>	<u>\$ 3,107,550</u>	<u>\$ 3,019,702</u>

See notes to financial statements

Up2Us, Inc.

Statement of Functional Expenses Year Ended August 31, 2023 (with summarized totals for the year ended August 31, 2022)

	2023			2022 Total
	Program Services	Management and General	Fundraising	
Salaries	\$ 2,059,838	\$ 895,247	\$ 171,031	\$ 3,126,116
Payroll taxes and employee benefits	934,094	130,948	26,583	1,091,625
Coaches'/Vistas' living allowance	2,462,960	-	-	2,462,960
Total Personnel	5,456,892	1,026,195	197,614	6,680,701
Program expenses	26,587	1,572	657	51,383
Rent (including in-kind rent and training space of \$65,820 and \$69,248)	38,801	132,216	107,730	166,791
Telephone and utilities	24,346	18,669	1,510	52,044
Repairs and maintenance	40	7,649	-	5,162
Equipment rental	-	1,515	-	1,670
Professional fees (including in-kind legal fees of \$8,554 and \$7,944)	127,384	170,741	127,842	374,803
Insurance	-	13,688	-	17,245
Publications, office equipment and supplies	7,122	15,237	4,518	32,047
Dues and subscriptions	5,197	4,495	8,631	2,926
Travel and conferences	109,171	26,974	10,676	38,068
Licenses and fees	8,651	10,081	-	19,951
Stipend	124,688	-	-	126,596
Bad debt	-	37,332	-	24,310
Miscellaneous	350	1,317	1,771	830
	5,929,229	1,467,681	460,949	7,857,859
Less direct benefits to donors	-	-	(228,779)	(228,779)
Total Expenses Reported by Function on Statement of Activities	\$ 5,929,229	\$ 1,467,681	\$ 232,170	\$ 7,629,080

See notes to financial statements

Up2Us, Inc.

Statement of Cash Flows
Year Ended August 31, 2023
(with comparative amounts for the year ended August 31, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue and support over expenses	\$ 87,848	\$ 683,304
Adjustments to reconcile excess of revenue and support over expenses to net cash from operating activities		
Bad debt expense	37,332	24,310
Changes in assets and liabilities		
Government grants receivable	44,374	383,958
Contracts receivable	(260,948)	68,949
Contributions receivable	-	302,750
Prepaid expenses	115,293	(122,603)
Security deposits	1,500	5,503
Accounts payable and accrued expenses	(27,817)	(45,428)
Deferred revenue	46,222	5,390
Net Cash From Operating Activities	<u>43,804</u>	<u>1,306,133</u>
CASH		
Beginning of year	<u>2,696,382</u>	<u>1,390,249</u>
End of year	<u>\$ 2,740,186</u>	<u>\$ 2,696,382</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Taxes paid	\$ 239	\$ 59

See notes to financial statements

Up2Us, Inc.

Notes to Financial Statements
August 31, 2023

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.

Adoption of New Accounting Policy

Up2Us adopted FASB Topic 842, using the effective date method with September 1, 2022 as the date of initial adoption, with certain practical expedients available. Up2Us elected the available practical expedients to account for their existing operating lease as an operating lease, under the new guidance, without reassessing (a) whether the contracts contain a lease under the new standard, (b) whether the classification of capital (now finance) lease or operating lease would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. The standard had no impact on Up2Us’s financial statements as the leases were considered short-term and outside the scope of implementation.

Net Asset Classification

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.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2023

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

Net Asset Classification (continued)

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.

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, 2023, all outstanding contracts receivable are due to be collected in less than one year. As of September 1, 2021, contracts receivable was \$476,600 and deferred revenue was \$354,595.

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, 2023, 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 contract payments of \$80,623 and \$43,291 as of August 31, 2023 and 2022.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2023

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

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.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets for fiscal 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Legal services	\$ 8,554	\$ 7,944	Program and Administration	No associated donor restrictions	(a)
Rent	64,800	69,248	Program and Administration	No associated donor restrictions	(b)
Training space	<u>1,020</u>	<u>-</u>	Program	No associated donor restrictions	(c)
	<u>\$ 74,374</u>	<u>\$ 77,192</u>			

- (a) Contributed services are valued at the estimated fair value based on current rates for similar services.
- (b) In valuing the contributed rent, Up2Us estimated the fair value on the basis of recent comparable prices in New York's real estate market.
- (c) Up2Us estimated the fair value on the basis of estimates of current rates for similar space rentals.

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.

Summarized Comparative Information

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 2022 financial statements, from which the summarized comparative information is derived.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2023

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

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, 2020.

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 March 28, 2024.

3. Concentrations of Credit Risk, Revenue and Contributions Receivable

Financial instruments that potentially subject Up2Us to significant concentrations of credit risk consist principally of cash and cash equivalents. At times cash balances held at financial institutions may be in excess of federally insured limits. Up2Us has not experienced any losses on its cash deposits.

At August 31, 2023 and 2022, the Up2Us' cash accounts exceeded federally insured limits by approximately \$2,248,000 and \$2,281,000.

For the years ended August 31, 2023 and 2022, revenue from government sources comprised 43% and 47% of total revenue. At August 31, 2023 and August 31, 2022, grants from two government agencies comprised 33% and 39% of Up2Us's total receivables.

At August 31, 2023 and 2022, one private donor comprised 100% of Up2Us's total contributions receivable for both years.

4. Net Assets with Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended August 31, 2023 and 2022:

Purpose/Restriction	Balance at September 1, 2022	Additions	Releases	Balance at August 31, 2023
Member services	\$ 1,619,757	\$ 225,500	\$ (684,510)	\$ 1,160,747
Coach Across America	261,272	1,090,000	(607,065)	744,207
Other	-	28,510	(28,510)	-
Total	<u>\$ 1,881,029</u>	<u>\$ 1,344,010</u>	<u>\$ (1,320,085)</u>	<u>\$ 1,904,954</u>

Up2Us, Inc.

Notes to Financial Statements August 31, 2023

4. Net Assets with Donor Restrictions (*continued*)

<u>Purpose/Restriction</u>	<u>Balance at September 1, 2021</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance at August 31, 2022</u>
Member services	\$ 1,113,852	\$ 898,000	\$ (392,095)	\$ 1,619,757
Coach Across America	402,493	197,750	(338,971)	261,272
Gala	79,136	-	(79,136)	-
Other	19,327	28,510	(47,837)	-
Total	<u>\$ 1,614,808</u>	<u>\$ 1,124,260</u>	<u>\$ (858,039)</u>	<u>\$ 1,881,029</u>

5. Debt

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, 2023 and 2022, Up2Us had no outstanding balance.

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 was non-contributory on the part of Up2Us through March 31, 2022. Beginning in April 2022, Up2Us matches employee contributions into the 403(b) up to 3% of eligible compensation. The amount Up2Us contributed to the match was \$44,983 and \$15,114 for the years ended August 31, 2023 and 2022 and is recorded as payroll taxes and employee benefits on the accompanying statement of functional expenses.

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, 2023, an audit commenced and management believes no such liabilities are expected.

Leases

As of August 31, 2023, Up2Us has three short-term leases for rental of office spaces in Chicago, IL, New Orleans, LA and Baltimore, MD. The short-term leases expire at various times through 2024. Rent expense, including in-kind, was \$158,138 and \$162,037 for the years ended August 31, 2023 and 2022 and is included with rent on the statement of functional expenses. At August 31, 2023, future minimum lease payments owed in 2024 under these agreements were \$39,244.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2023

7. Commitments and Contingencies *(continued)*

Leases (continued)

Subsequent to yearend, Up2Us entered into a new operating lease agreement for new office space that commenced on September 1, 2023 and expires August 31, 2026. Future minimum rental payments under the lease agreement amount to \$37,091.

8. Liquidity and Availability of Financial Assets

The following reflects Up2Us's financial assets as of August 31, 2023 and 2022, reduced by the amounts not available for general use within one year of that date because of donor-advised or contractual restrictions.

	<u>2023</u>	<u>2022</u>
Cash	\$ 2,740,186	\$ 2,696,382
Government grants receivable	538,177	582,551
Contracts receivable, net	587,976	364,360
Contributions receivable	<u>17,500</u>	<u>17,500</u>
Financial Assets at Year End	3,883,839	3,660,793
Less amount unavailable for general expenditures:		
Amounts restricted by donors	<u>(1,904,954)</u>	<u>(1,881,029)</u>
Financial Assets at Year-end Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,978,885</u>	<u>\$ 1,779,764</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. Subsequent to yearend, Up2Us received significant grant awards of approximately \$640,000 in support of its operations. Up2Us also maintains a \$150,000 line of credit should additional liquidity be needed.

* * * * *