



UPWARD TRANSITIONS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013 and 2012

WITH

INDEPENDENT AUDITOR'S REPORT



CONTENTS

Independent Auditor's Report.....	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows.....	5
Notes to Financial Statements	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Upward Transitions, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Upward Transitions, Inc. which comprise the statement of financial position as of June 30, 2013, and the related statements of activities 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 of 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 reasonable 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 Upward Transitions as of June 30, 2013, and the results of its activities 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 the 2012 Upward Transitions, Inc. financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 22, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HoganTaylor LLP

October 28, 2013

UPWARD TRANSITIONS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents:		
Operating funds	\$ 296,005	\$ 173,850
Board-designated funds	83,119	47,955
Certificates of deposit	80,843	79,989
Accounts receivable:		
United Way of Central Oklahoma	362,000	355,200
Others	24,130	53,631
Prepaid expenses	2,956	2,610
Property held for sale	-	185,913
	849,053	899,148
Total current assets	849,053	899,148
Beneficial interest in assets held by others	8,274	8,274
Funds designated for acquisition of properties and equipment	-	35,000
Properties and equipment, net	922,002	94,004
Total assets	\$ 1,779,329	\$ 1,036,426
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 48,633	\$ 15,845
Long-term debt due within one year	-	14,123
	48,633	29,968
Total current liabilities	48,633	29,968
Long-term debt due after one year	-	54,802
Net assets:		
Unrestricted:		
Board-designated	83,119	82,955
Undesignated	1,225,072	442,006
	1,308,191	524,961
Total unrestricted	1,308,191	524,961
Temporarily restricted	414,231	418,421
Permanently restricted	8,274	8,274
	422,505	426,695
Total net assets	1,730,696	951,656
Total liabilities and net assets	\$ 1,779,329	\$ 1,036,426

UPWARD TRANSITIONS, INC.

STATEMENTS OF ACTIVITIES

Year ended June 30, 2013

(with summarized totals for year ended June 30, 2012)

	2013			Total	2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating revenues and support					
Annual campaign and fundraisers:					
Revenues	\$ 103,715	\$ -	\$ -	\$ 103,715	\$ 111,595
Expenses	(24,677)	-	-	(24,677)	(26,818)
Contributions:					
United Way of Central Oklahoma	-	377,000	-	377,000	355,200
Others	60,600	-	-	60,600	66,104
Grants and contracts from government agencies	202,575	-	-	202,575	435,493
Rental income	10,415	-	-	10,415	15,370
Interest income	1,104	-	-	1,104	473
Net assets released from restrictions	381,190	(381,190)	-	-	-
Total operating revenues and support	734,922	(4,190)	-	730,732	957,417
Operating expenses					
Programs:					
Community outreach	376,802	-	-	376,802	371,957
Homeless prevention and rapid re-housing	81,170	-	-	81,170	275,365
Airport	71,723	-	-	71,723	66,582
Transition housing and family outreach	96,221	-	-	96,221	126,623
Total programs	625,916	-	-	625,916	840,527
Fund raising	8,576	-	-	8,576	7,296
General and administrative	48,596	-	-	48,596	41,343
Total operating expenses	683,088	-	-	683,088	889,166
Increase (decrease) in net assets from operations	51,834	(4,190)	-	47,644	68,251
Gain on sale of property	731,396	-	-	731,396	-
Increase (decrease) in net assets	783,230	(4,190)	-	779,040	68,251
Net assets at beginning of year	524,961	418,421	8,274	951,656	883,405
Net assets at end of year	\$ 1,308,191	\$ 414,231	\$ 8,274	\$ 1,730,696	\$ 951,656

See notes to financial statements.

UPWARD TRANSITIONS, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Increase in net assets	\$ 779,040	\$ 68,251
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	12,270	16,749
Gain on sale of property	(731,396)	-
Change in operating assets and liabilities:		
Accounts receivable	22,701	(22,287)
Prepaid expenses	(346)	222
Accounts payable and accrued liabilities	32,788	9,190
Net cash provided by operating activities	115,057	72,125
Cash Flow from Investing Activities		
Purchases of properties and equipment	(868,858)	(15,000)
Proceeds from sale of property	945,045	-
Net cash provided by (used in) investing activities	76,187	(15,000)
Cash Flows from Financing Activities		
Payments on debt	(68,925)	(12,877)
Net cash used in financing activities	(68,925)	(12,877)
Net increase in cash and cash equivalents	122,319	44,248
Cash and cash equivalents at beginning of year	256,805	212,557
Cash and cash equivalents at end of year	\$ 379,124	\$ 256,805
Cash and Cash Equivalents		
Current assets:		
Operating funds	\$ 296,005	\$ 173,850
Board-designated funds	83,119	47,955
Noncurrent assets - funds designated for acquisition of property and equipment	-	35,000
Total cash and cash equivalents	\$ 379,124	\$ 256,805

UPWARD TRANSITIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

Upward Transitions, Inc. (Upward Transitions) is a nonprofit organization whose mission is to serve those who are homeless and impoverished by providing case management and stabilizing resources to meet basic social needs. The ultimate goal is to assist individuals and families so they reach their potential with the ability to support themselves and contribute back to their community. The community outreach program assesses client's needs and develops a plan to help clients become or remain self-sufficient. The airport program consists of volunteers who assist the traveling public at Will Rogers World Airport by providing information about airport services and the Oklahoma City metro area. The family outreach program consists of comprehensive case management and transitional housing and homeless prevention services.

Summarized comparative financial information

The accompanying 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 Upward Transitions' financial statements for fiscal year 2012 from which the summarized information was derived.

Basis of presentation

Upward Transitions reports information regarding its financial position and activities according to three classes of net assets. These classes of net assets consist of the following:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets are comprised of board-designated (see Note 3) and undesignated.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Upward Transitions or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Temporarily restricted support is reported as unrestricted if restrictions are met in the same reporting period.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that such resources be maintained permanently by Upward Transitions. Generally, the donors of these assets permit Upward Transitions to use all or part of the income earned on any related investments for general or specific purposes.

Expiration of donor-imposed restrictions

The expiration of a donor-imposed restriction on a contribution is recognized in the year in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions of property and equipment without donor stipulations concerning the use of long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of events specified by the donors, or by the change of restriction specified by the donors.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposit bank accounts and temporary investments with maturities of 90 days or less when purchased.

Financial instruments valuation

Certificates of deposit are valued at cost plus accrued interest, which approximates fair value. Beneficial interest in assets held by others is stated at fair value as determined by the foundation that holds the assets based on the fair value of the underlying investments. 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.

Properties and equipment

Properties and equipment are recorded at cost, if purchased, or at fair value at the date of contribution, if contributed. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from 2 to 30 years.

Impairment of long-lived assets

Periodically, long-lived assets are assessed for recoverability. Provisions for impairment of long-lived assets used in operations are recorded when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets.

Revenue recognition

Revenues generated from exchange transactions are recognized when the service or goods have been provided and the earnings process is significantly complete. Unconditional promises to make a contribution are recognized as revenue in the period the pledge is received. Grant revenue is recognized when all applicable contingencies have been met.

Donated services

Donated services have not been reflected in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of time to further the objectives of Upward Transitions.

Income tax reporting

Upward Transitions is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code. Upward Transitions could be subject to taxation if it generates income unrelated to

its exempt purpose, pursuant to the Code. Management believes it is no longer subject to income tax examinations for years prior to fiscal year 2010.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent events

Management has evaluated events through October 28, 2013, the date the financial statements were available to be issued.

Note 2 – Beneficial Interest in Assets Held by Others

Upward Transitions has transferred funds to Oklahoma City Community Foundation, Inc. (the Foundation), and specified itself as the beneficiary of the funds. Annually, distributions from the funds are paid to Upward Transitions according to the Foundation's spending policy. The Foundation maintains variance power over these funds. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. The Foundation also maintains legal ownership of the funds.

In addition to these funds, the Foundation maintains other funds that have been contributed by various donors to the Foundation for the benefit of Upward Transitions. The funds contributed by various donors are not included as assets of Upward Transitions. The earnings from these funds are paid to Upward Transitions each fiscal year. For fiscal years 2013 and 2012, Upward Transitions received \$4,362 and \$4,196, respectively, from the funds both contributed from Upward Transitions and from various donors. At June 30, 2013 and 2012, the fair value of the funds contributed by Upward Transitions was \$8,274. Upward Transitions has no remainder interest in the corpus of the funds. The fair value of the entire endowment, which includes contributions received from members of the community, was \$90,913 and \$85,613 at June 30, 2013 and 2012, respectively.

Note 3 – Properties and Equipment

Properties and equipment consist of the following as of June 30:

	2013	2012
Land	\$ 155,152	\$ 30,816
Buildings	788,032	83,842
Earnest deposits on purchase of properties	-	15,000
Office furniture and equipment	54,363	44,187
Other	-	1,700
Total properties and equipment	997,547	175,545
Accumulated depreciation	(75,545)	(81,541)
Properties and equipment, net	<u>\$ 922,002</u>	<u>\$ 94,004</u>

In fiscal year 2011, the Board of Directors designated property sales proceeds of \$97,770 for refurbishment of Upward Transitions' facilities. As of June 30, 2013 and 2012, the balance of board-designated, unrestricted net assets (consisting of cash equivalents) was \$83,119 and \$82,955, respectively. The portion of these net assets that have been designated for future properties and equipment purchases have been classified in the accompanying financial statements as funds designated for acquisition of properties and equipment.

In fiscal year 2012, Upward Transitions agreed to sell its operating facility. In connection therewith, a building with a net carrying amount of \$185,913 was reclassified to property held for sale from properties and equipment in the accompanying statement of financial position.

On September 4, 2012, Upward Transitions sold its operating facility for \$945,045 in cash. Sales proceeds of \$66,782 and \$292,325 were used to pay off long-term debt and to purchase two properties, respectively.

Note 4 – Long-Term Debt

Long-term debt consists of the following as of June 30:

	<u>2013</u>	<u>2012</u>
Note payable to bank, paid in fiscal year 2013	\$ -	\$ 51,495
Note payable to local government entity, paid in fiscal year 2013	-	<u>17,430</u>
	-	68,925
Long-term debt due within one year	-	<u>14,123</u>
Long-term debt due after one year	<u>\$ -</u>	<u>\$ 54,802</u>

Cash paid for interest was \$438 and \$2,753 for the years ended June 30, 2013 and 2012, respectively.

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30:

	<u>2013</u>	<u>2012</u>
Contributions received with donor restricted purpose:		
United Way of Central Oklahoma pledge	\$ 362,000	\$ 355,200
Trans-Siberian Orchestra music program	37,231	38,221
Sarkeys Foundation client services renovation project	-	25,000
United Way Venture grant	15,000	-
Total temporarily restricted net assets	<u>\$ 414,231</u>	<u>\$ 418,421</u>

Note 6 – Grants and Contracts from Government Agencies

Grants and contracts from government agencies consist of the following for fiscal years ended June 30:

	<u>2013</u>	<u>2012</u>
City of Oklahoma City:		
United States Department of Housing and Urban Development (HUD) Emergency Shelter Grant Program	\$ 81,787	\$ 37,580
Social services grant (HUD) Homelessness Prevention and Rapid Re-housing Program	12,000	9,000
Oklahoma City Airport Trust service agreement	-	279,472
Oklahoma Housing Finance Agency contract	62,638	64,310
Board of Oklahoma County Commissioners Emergency Utility Assistance Program	-	679
Federal Emergency Management Act	34,000	34,000
	<u>12,150</u>	<u>10,452</u>
	<u>\$ 202,575</u>	<u>\$ 435,493</u>

Note 7 – Concentrations of Credit Risk

Financial instruments, which are potentially subject to credit risk, consist of cash and cash equivalents, certificates of deposit, accounts receivable and beneficial interest in assets held by others. Credit risk for accounts receivable is concentrated because the majority of the balances are receivable from organizations located within the same geographic region.