



**UPWARD TRANSITIONS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016 and 2015**

**WITH**

**INDEPENDENT AUDITOR'S REPORTS**



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## 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 statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, Inc. as of June 30, 2016 and 2015, and the results of its activities and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016, on our consideration of Upward Transition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

*Hagan Taylor LLP*

November 28, 2016

**UPWARD TRANSITIONS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2016 and 2015**

	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents:		
Operating funds	\$ 108,659	\$ 142,680
Board-designated funds	203,694	243,390
Certificates of deposit	82,613	82,438
Accounts receivable:		
United Way of Central Oklahoma	362,000	351,199
Others	35,774	46,815
Prepaid expenses	9,344	2,327
	802,084	868,849
Total current assets	802,084	868,849
Beneficial interest in assets held by others	9,902	10,522
Properties and equipment, net	853,385	882,058
	\$ 1,665,371	\$ 1,761,429
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,604	\$ 5,150
Deferred revenue	-	7,984
	7,604	13,134
Total current liabilities	7,604	13,134
Net assets:		
Unrestricted:		
Board-designated	203,694	243,390
Undesignated	1,060,974	1,106,073
	1,264,668	1,349,463
Total unrestricted	1,264,668	1,349,463
Temporarily restricted	384,825	390,558
Permanently restricted	8,274	8,274
	1,657,767	1,748,295
Total net assets	1,657,767	1,748,295
Total liabilities and net assets	\$ 1,665,371	\$ 1,761,429

**UPWARD TRANSITIONS, INC.**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating revenues and support</b>				
Annual campaign and fundraisers:				
Revenues	\$ 130,099	\$ -	\$ -	\$ 130,099
Expenses	(50,871)	-	-	(50,871)
Contributions:				
United Way of Central Oklahoma	5,455	362,000	-	367,455
Others	65,984	6,169	-	72,153
Grants and contracts from government agencies	406,615	-	-	406,615
Decrease in value of beneficial interest in assets held by others	-	(620)	-	(620)
Interest income	514	-	-	514
Net assets released from restrictions	373,282	(373,282)	-	-
<b>Total operating revenues and support</b>	<b>931,078</b>	<b>(5,733)</b>	<b>-</b>	<b>925,345</b>
<b>Operating expenses</b>				
Programs:				
Community outreach	388,474	-	-	388,474
Airport	63,958	-	-	63,958
Transition housing and family outreach	93,987	-	-	93,987
Supportive services for veterans' families	239,843	-	-	239,843
Gift of music	22,203	-	-	22,203
<b>Total programs</b>	<b>808,465</b>	<b>-</b>	<b>-</b>	<b>808,465</b>
General and administrative	207,408	-	-	207,408
<b>Total operating expenses</b>	<b>1,015,873</b>	<b>-</b>	<b>-</b>	<b>1,015,873</b>
Decrease in net assets	(84,795)	(5,733)	-	(90,528)
Net assets at beginning of year	1,349,463	390,558	8,274	1,748,295
Net assets at end of year	\$ 1,264,668	\$ 384,825	\$ 8,274	\$ 1,657,767

**UPWARD TRANSITIONS, INC.**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating revenues and support</b>				
Annual campaign and fundraisers:				
Revenues	\$ 105,755	\$ -	\$ -	\$ 105,755
Expenses	(42,646)	-	-	(42,646)
Contributions:				
United Way of Central Oklahoma	-	351,199	-	351,199
Others	85,997	-	-	85,997
Grants and contracts from government agencies	469,564	-	-	469,564
Rental income	1,845	-	-	1,845
Increase in value of beneficial interest in assets held by others	-	2,248	-	2,248
Interest income	1,751	-	-	1,751
Net assets released from restrictions	362,477	(362,477)	-	-
Total operating revenues and support	984,743	(9,030)	-	975,713
<b>Operating expenses</b>				
Programs:				
Community outreach	414,365	-	-	414,365
Homeless prevention and rapid re-housing	38,982	-	-	38,982
Airport	74,794	-	-	74,794
Transition housing and family outreach	108,891	-	-	108,891
Supportive services for veterans' families	292,778	-	-	292,778
Upward OKC	326	-	-	326
Total programs	930,136	-	-	930,136
General and administrative	140,510	-	-	140,510
Total operating expenses	1,070,646	-	-	1,070,646
Decrease in net assets from operations	(85,903)	(9,030)	-	(94,933)
Gain on sale of property	144,905	-	-	144,905
Increase (decrease) in net assets	59,002	(9,030)	-	49,972
Net assets at beginning of year	1,290,461	399,588	8,274	1,698,323
Net assets at end of year	\$ 1,349,463	\$ 390,558	\$ 8,274	\$ 1,748,295

**UPWARD TRANSITIONS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years ended June 30, 2016 and 2015**

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ (90,528)	\$ 49,972
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Interest income added to certificates of deposit	(175)	(1,515)
Depreciation	28,673	29,465
Gain on sale of property	-	(144,905)
Change in operating assets and liabilities:		
Accounts receivable	240	24,247
Prepaid expenses	(7,017)	220
Accounts payable and accrued liabilities	2,454	(26,927)
Deferred revenue	(7,984)	7,984
	(74,337)	(61,459)
<b>Cash Flow from Investing Activities</b>		
(Increase) decrease in beneficial interest in assets held by others	620	(2,248)
Purchases of properties and equipment	-	(13,648)
Proceeds from sale of property	-	158,839
	620	142,943
Net cash provided by investing activities	620	142,943
Net increase (decrease) in cash and cash equivalents	(73,717)	81,484
Cash and cash equivalents at beginning of year	386,070	304,586
Cash and cash equivalents at end of year	\$ 312,353	\$ 386,070
<b>Cash and Cash Equivalents</b>		
Operating funds	\$ 108,659	\$ 142,680
Board-designated funds	203,694	243,390
	\$ 312,353	\$ 386,070
Total cash and cash equivalents	\$ 312,353	\$ 386,070



## UPWARD TRANSITIONS, INC.

### NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

#### 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 supportive services for veterans and their families and family outreach programs consist of comprehensive case management, rapid re-housing and homeless prevention services.

##### 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.

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. Cash deposits at financial institutions typically exceed FDIC insurance limits.

### Receivables

All grants, contracts and accounts receivable are due in less than one year, and considered to be fully collectible. Receivables are evaluated on an individual basis for collectibility.

### 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 substantially 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.

### Deferred revenues

Deferred revenues consist of amounts received in advance of revenue recognition. The portion of deferred revenues anticipated to be earned within the next year is classified as current.

### 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.

### New accounting pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which provides more relevant information about available resources (and the changes in those resources) to donors, grantors, creditors and other users. The most significant aspects of the ASU are as follows: (1) the ASU replaces the current presentation of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions, (2) the ASU expands the disclosures about the nature and amount of any donor restrictions, board designations of net assets without donor restrictions as well as any underwater endowment funds, (3) the ASU requires expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses, and (4) the ASU requires specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk. ASU 2016-14 is to be applied retrospectively, and is effective for years beginning after December 15, 2017, with early adoption permitted. Upward Transitions will be evaluating the impact this standard will have on its financial statements and related disclosures.

### Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. The amounts were not material to the financial statements and had no effect on previously reported increase in net assets.

### 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 November 28, 2016, 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 2016 and 2015, Upward Transitions received \$4,934 and \$4,805, respectively, from the funds both contributed from Upward Transitions and from various donors. At June 30, 2016 and 2015, the fair value of the funds contributed by Upward Transitions was \$9,902 and \$10,522, respectively. 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 \$96,209 and \$99,580 at June 30, 2016 and 2015, respectively.

### Note 3 – Properties and Equipment

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

	<u>2016</u>	<u>2015</u>
Land	\$ 150,591	\$ 150,591
Buildings	727,332	727,332
Office furniture and equipment	73,291	73,291
Total properties and equipment	951,214	951,214
Accumulated depreciation	(97,829)	(69,156)
Properties and equipment, net	<u>\$ 853,385</u>	<u>\$ 882,058</u>

As of June 30, 2016 and 2015, the balance of board-designated, unrestricted net assets (consisting of cash equivalents) relating to refurbishment of Upward Transitions' facilities was \$203,694 and \$243,390, respectively.

### Note 4 – Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Contributions received with donor-restricted purpose:		
United Way of Central Oklahoma pledge	\$ 362,000	\$ 351,199
Trans-Siberian Orchestra music program	15,028	37,111
Accumulated earnings on beneficial interest	1,628	2,248
Special assistance	6,169	-
Total temporarily restricted net assets	<u>\$ 384,825</u>	<u>\$ 390,558</u>

**Note 5 – Permanently Restricted Net Assets**

Permanently restricted net assets consist of funds established with Oklahoma City Community Foundation, Inc.

**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>2016</u>	<u>2015</u>
City of Oklahoma City:		
United States Department of Housing and Urban Development (HUD) Emergency Shelter Grant Program	\$ 37,126	\$ 36,874
Social services grant	10,000	12,000
Oklahoma City Airport Trust service agreement	65,379	64,200
Board of Oklahoma County Commissioners Emergency Utility Assistance Program	41,500	38,000
Support Services for Veterans Families	234,876	316,247
Federal Emergency Management Act	17,734	2,243
	<u>\$ 406,615</u>	<u>\$ 469,564</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.

A substantial portion of Upward Transitions' support and revenue is derived from various grants and contracts which depend directly or indirectly on continued funding from the federal, state and local government. The loss of these funds, or extended delays of the receipt of these funds, could adversely impact the operations and continued existence of Upward Transitions. The grants and contracts are subject to audit by various federal and state agencies. Amounts questioned as a result of audits, if any, may result in reimbursements to these governmental agencies. Management believes that amounts questioned, if any, will be immaterial.

**OTHER REPORT**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Upward Transitions, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Upward Transitions, Inc. (Upward Transitions), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Upward Transitions' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Upward Transitions' internal control. Accordingly, we do not express an opinion on the effectiveness of Upward Transitions' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Upward Transitions' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hagan Taylor LLP*

November 28, 2016