



**UPWARD TRANSITIONS, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018 and 2017**

**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, 2018 and 2017, and the related statements of activities, functional expenses 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 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, 2018 and 2017, and the changes in its net assets and 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 December 14, 2018, 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.

A handwritten signature in black ink that reads "Hogan Taylor LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
December 14, 2018

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

**June 30, 2018 and 2017**

	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents:		
Operating funds	\$ 196,790	\$ 123,862
Board-designated funds	104,879	204,001
Restricted	15,948	-
Certificates of deposit	83,239	82,840
Receivables:		
United Way of Central Oklahoma	343,507	347,206
Others	14,973	4,817
Prepaid expenses	4,302	2,857
	763,638	765,583
Total current assets	763,638	765,583
Beneficial interest in assets held by others	123,372	118,079
Properties and equipment, net	797,118	825,002
	\$ 1,684,128	\$ 1,708,664
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,931	\$ 24,885
Funds held for others	15,948	-
	41,879	24,885
Total liabilities	41,879	24,885
Net assets:		
Unrestricted:		
Board-designated	104,879	204,001
Undesignated	1,070,491	1,014,493
	1,175,370	1,218,494
Total unrestricted	1,175,370	1,218,494
Temporarily restricted	351,486	349,333
Permanently restricted	115,393	115,952
	1,642,249	1,683,779
Total net assets	1,642,249	1,683,779
	\$ 1,684,128	\$ 1,708,664
Total liabilities and net assets	\$ 1,684,128	\$ 1,708,664

**UPWARD TRANSITIONS, INC.**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating revenues and support</b>				
Annual campaign and fundraisers	\$ 158,022	\$ -	\$ -	\$ 158,022
Costs of direct benefits to donors	(26,932)	-	-	(26,932)
Contributions:				
United Way of Central Oklahoma	10,086	343,507	-	353,593
Others	101,695	-	-	101,695
Grants and contracts from government agencies	175,837	-	-	175,837
Increase in value of beneficial interest in assets held by others	4,658	5,293	-	9,951
Interest income	1,277	-	-	1,277
Net asset reclassification	-	559	(559)	-
Net assets released from restrictions	347,206	(347,206)	-	-
<b>Total operating revenues and support</b>	<b>771,849</b>	<b>2,153</b>	<b>(559)</b>	<b>773,443</b>
<b>Operating expenses</b>				
Program services:				
Community outreach	579,236	-	-	579,236
Airport	76,353	-	-	76,353
<b>Total program</b>	<b>655,589</b>	<b>-</b>	<b>-</b>	<b>655,589</b>
Supporting services:				
General and administrative	137,149	-	-	137,149
Fundraising	22,235	-	-	22,235
<b>Total operating expenses</b>	<b>814,973</b>	<b>-</b>	<b>-</b>	<b>814,973</b>
Change in net assets	(43,124)	2,153	(559)	(41,530)
Net assets at beginning of year	1,218,494	349,333	115,952	1,683,779
Net assets at end of year	<u>\$ 1,175,370</u>	<u>\$ 351,486</u>	<u>\$ 115,393</u>	<u>\$ 1,642,249</u>

**UPWARD TRANSITIONS, INC.**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Operating revenues and support</b>				
Annual campaign and fundraisers	\$ 131,374	\$ -	\$ -	\$ 131,374
Costs of direct benefits to donors	(25,695)	-	-	(25,695)
Contributions:				
United Way of Central Oklahoma	5,088	347,206	-	352,294
Others	28,315	66,500	107,119	201,934
Grants and contracts from government agencies	307,646	-	-	307,646
Increase in value of beneficial interest in assets held by others	-	499	559	1,058
Interest income	534	-	-	534
Net assets released from restrictions	449,697	(449,697)	-	-
<b>Total operating revenues and support</b>	<b>896,959</b>	<b>(35,492)</b>	<b>107,678</b>	<b>969,145</b>
<b>Operating expenses</b>				
Program services:				
Community outreach	552,308	-	-	552,308
Airport	78,735	-	-	78,735
Supportive services for veterans' families	134,927	-	-	134,927
Gift of music	15,028	-	-	15,028
<b>Total program</b>	<b>780,998</b>	<b>-</b>	<b>-</b>	<b>780,998</b>
Supporting services:				
General and administrative	139,924	-	-	139,924
Fundraising	22,211	-	-	22,211
<b>Total operating expenses</b>	<b>943,133</b>	<b>-</b>	<b>-</b>	<b>943,133</b>
Change in net assets	(46,174)	(35,492)	107,678	26,012
Net assets at beginning of year	1,264,668	384,825	8,274	1,657,767
Net assets at end of year	<u>\$ 1,218,494</u>	<u>\$ 349,333</u>	<u>\$ 115,952</u>	<u>\$ 1,683,779</u>

**UPWARD TRANSITIONS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended June 30, 2018**

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 283,196	\$ 95,108	\$ -	\$ 378,304
Payroll taxes and employee benefits	68,611	13,605	-	82,216
<b>Total salaries and related expenses</b>	<b>351,807</b>	<b>108,713</b>	<b>-</b>	<b>460,520</b>
Housing support	76,083	-	-	76,083
Utilities support	68,390	-	-	68,390
Supportive services	37,918	-	-	37,918
Transportation services	19,529	-	-	19,529
Professional fees	12,573	5,239	10,000	27,812
Office	17,270	4,762	1,546	23,578
Information technology	6,350	1,755	2,090	10,195
Insurance	12,238	3,278	-	15,516
Occupancy	19,986	5,236	-	25,222
Other	10,739	2,167	8,599	21,505
<b>Total expenses before depreciation</b>	<b>632,883</b>	<b>131,150</b>	<b>22,235</b>	<b>786,268</b>
Depreciation	22,706	5,999	-	28,705
<b>Total expenses</b>	<b>\$ 655,589</b>	<b>\$ 137,149</b>	<b>\$ 22,235</b>	<b>\$ 814,973</b>



**UPWARD TRANSITIONS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended June 30, 2017**

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 314,918	\$ 92,022	\$ -	\$ 406,940
Payroll taxes and employee benefits	67,882	11,340	-	79,222
<b>Total salaries and related expenses</b>	<b>382,800</b>	<b>103,362</b>	<b>-</b>	<b>486,162</b>
Housing support	149,296	-	-	149,296
Utilities support	83,271	-	-	83,271
Supportive services	46,530	-	-	46,530
Transportation services	28,403	-	-	28,403
Professional fees	12,997	5,506	10,100	28,603
Office	9,954	9,005	1,479	20,438
Information technology	4,441	1,212	2,216	7,869
Insurance	13,612	4,303	-	17,915
Occupancy	21,341	7,016	-	28,357
Other	7,018	2,472	8,416	17,906
<b>Total expenses before depreciation</b>	<b>759,663</b>	<b>132,876</b>	<b>22,211</b>	<b>914,750</b>
Depreciation	21,335	7,048	-	28,383
<b>Total expenses</b>	<b>\$ 780,998</b>	<b>\$ 139,924</b>	<b>\$ 22,211</b>	<b>\$ 943,133</b>

**UPWARD TRANSITIONS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years ended June 30, 2018 and 2017**

	2018	2017
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (41,530)	\$ 26,012
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contribution of beneficial interest in assets held by others	-	(107,119)
Net increase in value of beneficial interest in assets held by others	(9,951)	(1,576)
Interest income added to certificates of deposit	(399)	(227)
Depreciation	28,705	28,383
Loss on disposal of equipment	699	-
Change in operating assets and liabilities:		
Receivables	(6,457)	45,751
Prepaid expenses	(1,445)	6,487
Accounts payable and accrued liabilities	1,046	17,281
Funds held for others	15,948	-
	(13,384)	14,992
<b>Cash Flows from Investing Activities</b>		
Purchases of equipment	(1,520)	-
Distributions of beneficial interests in assets held by others	4,658	518
	3,138	518
Net cash provided by investing activities	3,138	518
Net increase (decrease) in cash and cash equivalents	(10,246)	15,510
Cash and cash equivalents at beginning of year	327,863	312,353
Cash and cash equivalents at end of year	\$ 317,617	\$ 327,863
<b>Cash and Cash Equivalents</b>		
Operating funds	\$ 196,790	\$ 123,862
Board-designated funds	104,879	204,001
Restricted	15,948	-
	\$ 317,617	\$ 327,863
<b>Supplemental Disclosures of Cash Flow Information</b>		
Contribution of beneficial interest in assets held by others	\$ -	\$ 107,119
In-kind donations for campaigns and fundraisers	\$ 9,123	\$ -

## UPWARD TRANSITIONS, INC.

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

#### 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, Oklahoma, metro area. The supportive services for veterans and their families and family outreach programs, which ended during the year ending June 30, 2017, consisted 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 4) 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 may at times exceed Federal Deposit Insurance Corporation insurance limits. Upward Transitions has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash accounts.

### 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.

### Investments

Certificates of deposit are valued at cost plus accrued interest, which approximates fair value. Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

### 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.

### 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 has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code (the Code) and is exempt from taxes under Section 501(c)(3) of the Code. It could be subject to taxation if it generates income unrelated to its exempt purpose, pursuant to the Code.

### New accounting pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) 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) 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) requires expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses, and (4) 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 fiscal year ending June 30, 2019. Upward Transitions is currently evaluating the impact this standard will have on its financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The update provides guidance concerning the recognition and measurement of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. As deferred by ASU 2015-14, the update is effective for Upward Transitions beginning with the fiscal year ending June 30, 2020. The standard permits the use of either the retrospective or cumulative effect transition method. Upward Transitions is currently evaluating the impact this standard will have on its financial statements and related disclosures, including the selection of a transition method.

### 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.

### Reclassifications

Certain reclassifications have been made in the June 30, 2017, financial statements to conform to the classifications used at June 30, 2018. These reclassifications had no impact on previously reported change in net assets.

### Subsequent events

Management has evaluated events through December 14, 2018, the date the financial statements were available to be issued.

## **Note 2 – Beneficial Interest in Assets Held by Others**

Beneficial interest in assets held by others (Beneficial Interest) consist of funds, that are perpetual in nature, with Oklahoma City Community Foundation, Inc. (OCCF) and The Oklahoma United Methodist Foundation, Inc. (OUMF).

Upward Transitions transferred funds to OCCF and specified itself as the beneficiary of the funds. Annually, distributions from the funds are paid to Upward Transitions according to OCCF's spending policy. OCCF 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. OCCF also maintains legal ownership of the funds.

In addition to these funds, OCCF maintains other funds that have been contributed by various donors to OCCF 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. Upward Transitions received \$5,053 and \$4,979, for the years ended June 30, 2018 and 2017, respectively, from the funds both contributed from Upward Transitions and from various donors. At June 30, 2018 and 2017, the fair value of the funds contributed by Upward Transitions was \$10,629 and \$10,401, 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 \$104,401 and \$102,113 at June 30, 2018 and 2017, respectively.

In June 2017, OUMF received an endowment fund (the Fund) to benefit Upward Transitions. The earnings of the Fund may be distributed on written request of the Chair of the Upward Transitions' Board of Trustees, subject to a fixed spending policy established by the Fund. OUMF does not retain variance power over these funds.

OUMF has adopted a fixed spending policy designed specifically to stabilize annual spending levels and preserve the long-term purchasing power of the Fund over time. The spending rate is determined by reviewing expected long-term investment returns net of investment costs less expected inflation in attempts to achieve these two objectives. The current annual spending rate is 5%. Any investment return in excess of the spending rate will grow the market value of the endowment and may be used to offset spending policy obligations in future years.

The Fund asset allocations are based on a total return concept; therefore, a significant portion of total investment return is realized and unrealized gains and not traditional cash yield (interest and dividends). The annual spending rate is independent of cash yield, realized, and unrealized appreciation of investments earned during the year. For example, if the cash yield is 2% then 3% will be paid out of realized and unrealized gains to make up the 5% spending rate. For years with negative investment returns, the spending policy remains active. For endowments opened in declining markets or relatively new endowments, it is possible the fixed spending rate will be paid from the market value of the initial principal contributions.

While there will be short-term fluctuations in investment returns, the expectation is that long-term investment returns will exceed the spending rate, investment costs, and inflation to grow the endowment and preserve its long-term purchasing power while providing a consistent income stream to fund operations.

The fair value of the OUMF endowment was \$112,743 and \$107,678 at June 30, 2018 and 2017, respectively. Upward Transitions received distributions of \$4,138 and \$0, for the years ended June 30, 2018 and 2017, respectively.

### **Note 3 – Fair Value Measurements**

The FASB Accounting Standards Codification established a consistent framework for measuring fair value and fair value hierarchy based on the observability of inputs used to measure fair value.

These inputs are summarized in the three broad levels listed below:

Level 1      Quoted prices in active markets for identical assets or liabilities.

- Level 2      Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3      Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There were no transfers into or out of Levels 1, 2, or 3 for the years ended June 30, 2018 or 2017.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table sets forth by level, within the fair value hierarchy, Upward Transition's assets that are measured at fair value on a recurring basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by OCCF	\$ -	\$ -	\$ 10,629	\$ 10,629
Beneficial interest in assets held by OUMF	-	-	112,743	112,743
Total	\$ -	\$ -	\$ 123,372	\$ 123,372

The following table sets forth by level, within the fair value hierarchy, Upward Transition's assets that are measured at fair value on a recurring basis as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by OCCF	\$ -	\$ -	\$ 10,401	\$ 10,401
Beneficial interest in assets held by OUMF	-	-	107,678	107,678
Total	\$ -	\$ -	\$ 118,079	\$ 118,079

#### Level 3 measurements

The fair value of beneficial interests in assets held by OCCF and OUMF is determined by the foundation that holds the assets based on the fair value of the underlying investments. These are considered to be Level 3 measurements.

The following table summarizes the changes in fair value of Upward Transition's Level 3 financial assets for the year ended June 30:

	Beneficial Interests in assets held by others	
	2018	2017
Balance, beginning of year	\$ 118,079	\$ 9,902
Contributions/transfers	-	107,119
Net investment performance	9,951	1,576
Distributions to Upward Transitions	(4,658)	(518)
Balance, end of year	\$ 123,372	\$ 118,079

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided to Upward Transitions by OCCF and OUMF. Net investment performance includes realized and unrealized gains (losses) on investments, investment income and administrative fees. Distributions decrease Upward Transitions beneficial interest and increase cash at the time of distribution. The change in value is included in increase in value of beneficial interest in assets held by others in the statements of activities.

#### Market volatility

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect net assets.

#### **Note 4 – Properties and Equipment**

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

	2018	2017
Land	\$ 150,591	\$ 150,591
Buildings	727,332	727,332
Office furniture and equipment	65,202	73,291
Total properties and equipment	943,125	951,214
Accumulated depreciation	(146,007)	(126,212)
Properties and equipment, net	<u>\$ 797,118</u>	<u>\$ 825,002</u>

As of June 30, 2018 and 2017, the balance of board-designated, unrestricted net assets (consisting of cash equivalents) relating to refurbishment of Upward Transitions' facilities was \$104,879 and \$204,001, respectively. During the year ending June 30, 2018, approximately \$100,000 was moved from the board-designated account to the operating fund to generate earnings to offset banking fees.

#### **Note 5 – Temporarily Restricted Net Assets**

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

	2018	2017
Contributions received with donor-restricted purpose:		
United Way of Central Oklahoma pledge	\$ 343,507	\$ 347,206
Accumulated earnings on beneficial interests	7,979	2,127
Total temporarily restricted net assets	<u>\$ 351,486</u>	<u>\$ 349,333</u>



#### **Note 6 – Permanently Restricted Net Assets**

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

#### **Note 7 – Grants and Contracts from Government Agencies**

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

	<u>2018</u>	<u>2017</u>
City of Oklahoma City:		
United States Department of Housing and Urban		
Development (HUD) Emergency Solutions Grant Program	\$ 28,134	\$ 37,000
Social Services grant	13,000	13,000
Oklahoma City Airport Trust service agreement	68,253	66,500
Board of Oklahoma County Commissioners Emergency		
Utility Assistance Program	45,000	43,000
Support Services for Veterans Families	-	128,646
Federal Emergency Management Act Emergency Food and		
Shelter Program	<u>21,450</u>	<u>19,500</u>
	<u>\$ 175,837</u>	<u>\$ 307,646</u>

#### **Note 8 – 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 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 local 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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2018.

**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.

A handwritten signature in black ink that reads "Hogan Taylor LLP". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
December 14, 2018