



UPWARD TRANSITIONS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets 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 December 10, 2021, on our consideration of Upward Transitions Inc.'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 the effectiveness of Upward Transitions Inc.'s 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 Upward Transitions Inc.'s 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 10, 2021

UPWARD TRANSITIONS, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents:		
Operating funds	\$ 212,163	\$ 189,340
Board-designated funds	324,411	243,467
Restricted	2,893	219
Certificates of deposit	86,522	86,039
Receivables:		
United Way of Central Oklahoma	304,792	350,000
Others	21,278	9,369
Prepaid expenses	5,496	6,222
	957,555	884,656
Total current assets	957,555	884,656
Beneficial interest in assets held by others	12,835	10,516
Property and equipment, net	762,658	750,198
	\$ 1,733,048	\$ 1,645,370
	\$ 1,733,048	\$ 1,645,370
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 68,305	\$ 49,536
Funds held for others	2,893	219
	71,198	49,755
Total current liabilities	71,198	49,755
Paycheck Protection Program loan	-	80,300
Net assets:		
Without donor restrictions:		
Undesignated	229,446	161,134
Board-designated	324,411	243,467
Invested in property and equipment, net	762,658	750,198
	1,316,515	1,154,799
Total net assets without donor restrictions	1,316,515	1,154,799
With donor restrictions	345,335	360,516
	1,661,850	1,515,315
Total net assets	1,661,850	1,515,315
	\$ 1,733,048	\$ 1,645,370
Total liabilities and net assets	\$ 1,733,048	\$ 1,645,370

UPWARD TRANSITIONS, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues and support			
Annual campaign and fundraisers	\$ 177,980	\$ -	\$ 177,980
Costs of direct benefits to donors	(20,210)	-	(20,210)
Contributions:			
United Way of Central Oklahoma	301,466	332,500	633,966
Others	279,006	-	279,006
Grants and contracts from government agencies	279,987	-	279,987
Paycheck Protection Program loan forgiveness	80,300	-	80,300
Increase in value of beneficial interest in assets held by others	5,265	2,319	7,584
Interest income	1,129	-	1,129
Net assets released from restrictions	350,000	(350,000)	-
Total operating revenues and support	1,454,923	(15,181)	1,439,742
Operating expenses			
Program services:			
Community outreach	1,099,453	-	1,099,453
Airport	76,019	-	76,019
Total program services	1,175,472	-	1,175,472
Supporting services:			
General and administrative	84,608	-	84,608
Fundraising	33,127	-	33,127
Total operating expenses	1,293,207	-	1,293,207
Change in net assets	161,716	(15,181)	146,535
Net assets at beginning of year	1,154,799	360,516	1,515,315
Net assets at end of year	<u>\$ 1,316,515</u>	<u>\$ 345,335</u>	<u>\$ 1,661,850</u>

UPWARD TRANSITIONS, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues and support			
Annual campaign and fundraisers	\$ 111,888	\$ -	\$ 111,888
Costs of direct benefits to donors	(9,227)	-	(9,227)
Contributions:			
United Way of Central Oklahoma	184,721	350,000	534,721
Others	105,491	-	105,491
Grants and contracts from government agencies	181,177	-	181,177
Increase (decrease) in value of beneficial interest in assets held by others	5,171	(309)	4,862
Interest income	3,016	-	3,016
Net assets released from restrictions	350,000	(350,000)	-
Total operating revenues and support	932,237	(309)	931,928
Operating expenses			
Program services:			
Community outreach	805,298	-	805,298
Airport	67,390	-	67,390
Total program services	872,688	-	872,688
Supporting services:			
General and administrative	75,737	-	75,737
Fundraising	9,246	-	9,246
Total operating expenses	957,671	-	957,671
Change in net assets	(25,434)	(309)	(25,743)
Net assets at beginning of year	1,180,233	360,825	1,541,058
Net assets at end of year	\$ 1,154,799	\$ 360,516	\$ 1,515,315

UPWARD TRANSITIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Program Services		Supporting Services		Total
	Community Outreach	Airport	General and Administrative	Fundraising	
Salaries and wages	\$ 319,389	\$ 50,607	\$ 44,445	\$ -	\$ 414,441
Payroll taxes and employee benefits	69,351	8,943	9,794	-	88,088
Total salaries and related expenses	388,740	59,550	54,239	-	502,529
Housing support	210,812	-	-	-	210,812
Utilities support	30,482	-	-	-	30,482
Supportive services	23,680	-	1,074	-	24,754
Transportation services	17,585	55	-	-	17,640
Emergency relief: food, shelter, lodging, and transportation	247,844	-	-	-	247,844
Professional fees	105,319	3,018	5,699	6,671	120,707
Office	16,702	3,466	7,034	277	27,479
Information technology	9,415	1,113	1,932	2,395	14,855
Insurance	11,815	1,688	3,376	-	16,879
Occupancy	17,751	2,588	3,846	-	24,185
Other	2,260	2,105	2,537	23,784	30,686
Total expenses before depreciation	1,082,405	73,583	79,737	33,127	1,268,852
Depreciation	17,048	2,436	4,871	-	24,355
Total expenses	\$ 1,099,453	\$ 76,019	\$ 84,608	\$ 33,127	\$ 1,293,207

UPWARD TRANSITIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	<u>Program Services</u>		<u>Supporting Services</u>		Total
	Community	Airport	General and		
	Outreach		Administrative	Fundraising	
Salaries and wages	\$ 295,960	\$ 44,636	\$ 39,012	\$ -	\$ 379,608
Payroll taxes and employee benefits	66,992	8,593	10,565	-	86,150
Total salaries and related expenses	362,952	53,229	49,577	-	465,758
Housing support	224,246	-	-	-	224,246
Utilities support	73,540	-	-	-	73,540
Supportive services	42,523	-	-	-	42,523
Transportation services	27,710	116	-	-	27,826
Professional fees	12,128	1,733	3,890	-	17,751
Office	9,366	1,374	4,560	345	15,645
Information technology	5,450	761	1,522	2,395	10,128
Insurance	11,787	1,684	3,368	-	16,839
Occupancy	15,980	2,176	4,180	-	22,336
Other	3,039	3,949	3,904	6,506	17,398
Total expenses before depreciation	788,721	65,022	71,001	9,246	933,990
Depreciation	16,577	2,368	4,736	-	23,681
Total expenses	\$ 805,298	\$ 67,390	\$ 75,737	\$ 9,246	\$ 957,671

UPWARD TRANSITIONS, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 146,535	\$ (25,743)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net increase in value of beneficial interest in assets held by others	(7,584)	(4,862)
Interest income added to certificates of deposit	(483)	(1,483)
Depreciation	24,355	23,681
Loss on disposal of property and equipment	1,518	-
Payroll Protection Program loan forgiveness	(80,300)	-
Change in operating assets and liabilities:		
Receivables	33,299	35,157
Prepaid expenses	726	(1,240)
Accounts payable and accrued liabilities	18,769	19,278
Funds held for others	2,674	(5,458)
Net cash provided by operating activities	139,509	39,330
Cash Flows from Investing Activities		
Distributions of beneficial interests in assets held by others	5,265	5,171
Purchases of property and equipment	(38,333)	-
Net cash provided by (used in) investing activities	(33,068)	5,171
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program loan	-	80,300
Net change in cash and cash equivalents	106,441	124,801
Cash and cash equivalents at beginning of year	433,026	308,225
Cash and cash equivalents at end of year	\$ 539,467	\$ 433,026
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position		
Operating funds	\$ 212,163	\$ 189,340
Board-designated funds	324,411	243,467
Restricted	2,893	219
Total cash and cash equivalents	\$ 539,467	\$ 433,026
Noncash Financing Activity		
Payroll Protection Program loan forgiveness	\$ 80,300	\$ -
Supplemental Disclosures of Cash Flow Information		
In-kind contributions	\$ 24,913	\$ 34,714

UPWARD TRANSITIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

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 in reaching their potential with the ability to support themselves and contribute back to their community. The community outreach program assesses clients' 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.

Basis of presentation

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

Net assets without donor restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. The Board may designate these net assets for specific purposes which makes them unavailable at management's discretion. Board-designated net assets totaled \$324,411 and \$243,467 as of June 30, 2021 and 2020, respectively, and were designated for refurbishment of facilities.

Net assets with donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or occurrence of a future event specified by the donor. Other donor-imposed restrictions are perpetual in nature. The donors of assets that are perpetual in nature generally 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

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Gifts received with restrictions that are met in the same reporting period as their receipt, are reported as support without donor restrictions.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposit bank accounts and 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.

Certificates of deposit

Certificates of deposit, with maturity dates greater than 90 days when purchased, are valued at cost plus accrued interest, which approximates fair value. Interest income related to certificates of deposit is recorded in the statements of activities.

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.

Property and equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of contribution, if contributed. Property and equipment, with an initial value of \$500 or more, is capitalized and depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from 2 to 40 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

Upward Transitions recognizes revenue from exchange transactions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as amended (Topic 606). Topic 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition, whereby revenue is recognized when each performance obligation is satisfied. Upward Transitions reports the following revenue from exchange transactions in its statements of activities:

Airport Service Agreement – Upward Transitions operates a volunteer program that provides general information and/or emergency assistance services to the travelers and visitors at Will Rogers World Airport (Airport). Upward Transitions receives monthly payment from the Airport in exchange for executing the performance obligation of the contract which is the operation of the volunteer program on behalf of the Airport. The performance obligation is met each month as Upward Transitions provides services for the Airport at which time payment is received and revenue for the month of services provided is recognized. Revenues under this agreement are recorded in grants and contracts from government agencies in the accompanying statements of activities and totaled \$72,714 and \$72,100 for the years ended June 30, 2021 and 2020, respectively.

Unconditional promises to make a contribution are recognized as revenue in the period the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Grants are recognized as revenue once any conditions outlined by the agreement have been met, which is typically when Upward Transitions has incurred allowable expenses that can be charged to the respective grants. Assets received before conditions have been satisfied are reported as refundable advances. As of June 30, 2021 and 2020, there were refundable advances of \$23,332 and \$11,451, respectively, included in accounts payable and/or accrued liabilities in the statements of financial position.

Donated services and in-kind contributions

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

Contributed goods are recorded at fair value at the date of donation.

Functional allocation of expenses

The costs of supporting the various programs and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Certain categories of expenses are attributed to more than one functional category. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Upward Transitions allocates salaries and wages based on actual staff positions. Administrative expenses are allocated to each area based on an estimate of usage.

Income tax reporting

Upward Transitions is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. However, it could be subject to taxation if it generates income unrelated to its exempt purpose.

Adoption of new accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new accounting guidance creates a framework under which an entity allocates the transaction price to separate performance obligations and recognizes revenue when each performance obligation is satisfied. Under the new standard, entities are required to use judgment and make estimates, including identifying performance obligations in a contract, estimating the amount of variable consideration to include in the transaction price, allocating the transaction price to each separate performance obligation, and determining when an entity satisfies its performance obligations. The standard allows for either "full retrospective" adoption, meaning that the standard is applied to all of the periods presented with a cumulative catch-up as of the earliest period presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements with a cumulative catch-up as of the current period.

On July 1, 2020, Upward Transitions adopted Topic 606 using the modified retrospective method of adoption to all contracts with customers that were not completed as of July 1, 2020. Upward Transitions completed its adoption of Topic 606 and determined that there is no impact to its financial statements, results of operations or liquidity. Additionally, when comparing Upward Transitions's historical revenue recognition to the newly applied revenue recognition under Topic 606, there was no change to the amount or timing of revenue recognized.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. Upward Transitions implemented this standard effective July 1, 2020. The adoption of this standard resulted in the removal and modification of certain Level 3 fair value measurement disclosures.

New accounting pronouncement not yet adopted

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure regarding the measurement of contributed nonfinancial assets, as well as the amount of those contributions used in the entity's programs and other activities. The ASU should be applied on a retrospective basis and is effective for Upward Transitions in fiscal year 2022. Upward Transitions is evaluating the impact the standard will have on its financial statements and related disclosures.

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 to the 2020 financial statements to conform with the 2021 presentation. These reclassifications had no impact on the previously reported change in net assets.

Subsequent events

Management has evaluated events through December 10, 2021, the date the financial statements were available to be issued.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	2021	2020
Cash and cash equivalents - operating funds	\$ 212,163	\$ 189,340
Certificates of deposit	86,522	86,039
Receivables	326,070	359,369
Available distributions from beneficial interests in assets held by others	4,855	4,729
Total financial assets available to meet general expenditures within one year	<u>\$ 629,610</u>	<u>\$ 639,477</u>

Upward Transitions maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. General expenditures are defined to include expenditures for general operations and program services. As part of its liquidity management plan, Upward Transitions invests cash in excess of daily requirements in certificates of deposit and money market funds. Occasionally, the Board designates a portion of any operating surplus to its board-designated fund without donor restrictions. While management does not intend to spend these funds for purposes other than those identified by the Board in Note 1, the amounts could be made available for current operations if necessary and as approved by the Board. These funds totaled \$324,411 and \$243,467 as of June 30, 2021 and 2020, respectively.

The earnings from beneficial interests in assets held by others are paid to Upward Transitions each fiscal year and may be used for general operating expenditures. See Note 3 for more information regarding beneficial interests in assets held for others.

Note 3 – 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).

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 \$5,405 and \$5,265, for the years ended June 30, 2021 and 2020, respectively, from the funds both contributed from Upward Transitions and from various donors. At June 30, 2021 and 2020, the fair value of the funds contributed by Upward Transitions was \$12,835 and \$10,516, 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 \$126,192 and \$103,306 at June 30, 2021 and 2020, respectively.

Note 4 – 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 Level 3 for the years ended June 30, 2021 or 2020, and there were no purchases of Level 3 investments.

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 Transitions' assets that are measured at fair value on a recurring basis as of June 30:

	2021			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by OCCF	\$ -	\$ -	\$ 12,835	\$ 12,835
Total	\$ -	\$ -	\$ 12,835	\$ 12,835

	2020			
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by OCCF	\$ -	\$ -	\$ 10,516	\$ 10,516
Total	\$ -	\$ -	\$ 10,516	\$ 10,516

Level 3 measurements

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

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 5 – Properties and Equipment

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

	2021	2020
Land	\$ 150,591	\$ 150,591
Buildings	728,619	727,332
Office furniture and equipment	66,744	65,121
Total properties and equipment	945,954	943,044
Accumulated depreciation	(183,296)	(192,846)
Properties and equipment, net	\$ 762,658	\$ 750,198

Note 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2021:

Purpose	For a Specific Purpose/Time	Held in Perpetuity	Total
Community outreach	\$ 332,500	\$ -	\$ 332,500
Endowment for operations	4,561	8,274	12,835
Total	\$ 337,061	\$ 8,274	\$ 345,335

Net assets with donor restrictions are available for the following purposes at June 30, 2020:

Purpose	For a Specific Purpose/Time	Held in Perpetuity	Total
Community outreach	\$ 350,000	\$ -	\$ 350,000
Endowment for operations	2,242	8,274	10,516
Total	\$ 352,242	\$ 8,274	\$ 360,516

Net assets held in perpetuity consist of funds established with OCCF.

Note 7 – Grants and Contracts from Government Agencies

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

	2021	2020
City of Oklahoma City:		
United States Department of Housing and Urban		
Development (HUD) Emergency Solutions Grant Program	\$ 134,960	\$ 22,530
Social Services grant	14,300	14,300
Community Assistance Program Grant	24,000	-
Housing Assistance Grants for Victims of Human Trafficking	7,553	-
Oklahoma City Airport Trust service agreement	72,714	72,100
Board of Oklahoma County Commissioners Emergency		
Utility Assistance Program	-	42,000
Federal Emergency Management Act Emergency Food and		
Shelter Program	21,297	27,600
Victims of Crime Act Grant	5,163	2,647
	\$ 279,987	\$ 181,177

Note 8 – Concentrations of Credit Risk

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 governments. 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.

The majority of the accounts receivable balances are receivables from organizations located within the same geographic region.

Note 9 – Payroll Protection Program Loan Forgiveness

On March 27, 2020, in response to COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the pandemic. On April 9, 2020, Upward Transitions received loan proceeds in the amount of \$80,300 under the Paycheck Protection Program (PPP), which was established as part of the CARES Act (PPP loan). PPP loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels during the covered period. As the PPP loan had yet to be forgiven at June 30, 2020, Upward Transitions elected to consider the PPP loan a financial liability under ASC 470, *Debt*, and ASC 405, *Liabilities*. During the year ended June 30, 2021, the bank that provided the PPP loan and the Small Business Administration approved forgiveness of the total loan. Upward Transitions reduced the liability and recorded a gain on extinguishment of debt on February 26, 2021, when Upward Transitions was legally released from the liability. This gain on extinguishment of debt is presented as Paycheck Protection Program loan forgiveness in the accompanying statements of activities for the year ended June 30, 2021.

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2021.

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 10, 2021