



UPWARD TRANSITIONS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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 9, 2020, 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 9, 2020

UPWARD TRANSITIONS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents:		
Operating funds	\$ 189,340	\$ 95,666
Board-designated funds	243,467	206,882
Restricted	219	5,677
Certificates of deposit	86,039	84,556
Receivables:		
United Way of Central Oklahoma	350,000	350,000
Others	9,369	44,526
Prepaid expenses	6,222	4,982
	884,656	792,289
Total current assets	884,656	792,289
Beneficial interest in assets held by others	10,516	10,825
Property and equipment, net	750,198	773,879
	\$ 1,645,370	\$ 1,576,993
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 49,536	\$ 30,258
Funds held for others	219	5,677
	49,755	35,935
Total current liabilities	49,755	35,935
Paycheck Protection Program loan	80,300	-
Net assets:		
Without donor restrictions:		
Undesignated	161,134	199,472
Board-designated	243,467	206,882
Invested in property and equipment, net	750,198	773,879
	1,154,799	1,180,233
Total net assets without donor restrictions	1,154,799	1,180,233
With donor restrictions	360,516	360,825
	1,515,315	1,541,058
Total net assets	1,515,315	1,541,058
Total liabilities and net assets	\$ 1,645,370	\$ 1,576,993

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	808,941	-	808,941
Airport	65,604	-	65,604
Total program services	874,545	-	874,545
Supporting services:			
General and administrative	73,880	-	73,880
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	<u>\$ 1,154,799</u>	<u>\$ 360,516</u>	<u>\$ 1,515,315</u>

UPWARD TRANSITIONS, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues and support			
Annual campaign and fundraisers	\$ 161,066	\$ -	\$ 161,066
Costs of direct benefits to donors	(42,617)	-	(42,617)
Contributions:			
United Way of Central Oklahoma	8,386	350,000	358,386
Others	116,499	-	116,499
Grants and contracts from government agencies	214,766	-	214,766
Increase (decrease) in value of beneficial interest in assets held by others	3,348	(10,745)	(7,397)
Interest income	3,320	-	3,320
Net assets released from restrictions	343,507	(343,507)	-
Total operating revenues and support	808,275	(4,252)	804,023
Operating expenses			
Program services:			
Community outreach	658,155	-	658,155
Airport	53,376	-	53,376
Total program services	711,531	-	711,531
Supporting services:			
General and administrative	71,774	-	71,774
Fundraising	20,107	-	20,107
Total operating expenses	803,412	-	803,412
Nonoperating expense			
Loss on redirected beneficial interest in assets held by others	-	101,802	101,802
Total nonoperating expenses	-	101,802	101,802
Change in net assets	4,863	(106,054)	(101,191)
Net assets at beginning of year	1,175,370	466,879	1,642,249
Net assets at end of year	\$ 1,180,233	\$ 360,825	\$ 1,541,058

UPWARD TRANSITIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 339,464	\$ 40,144	\$ -	\$ 379,608
Payroll taxes and employee benefits	78,574	7,576	-	86,150
Total salaries and related expenses	418,038	47,720	-	465,758
Housing support	224,246	-	-	224,246
Utilities support	73,540	-	-	73,540
Supportive services	42,523	-	-	42,523
Transportation services	27,826	-	-	27,826
Professional fees	13,861	3,890	-	17,751
Office	10,740	4,560	345	15,645
Information technology	6,211	1,522	2,395	10,128
Insurance	13,471	3,368	-	16,839
Occupancy	18,156	4,180	-	22,336
Other	6,988	3,904	6,506	17,398
Total expenses before depreciation	855,600	69,144	9,246	933,990
Depreciation	18,945	4,736	-	23,681
Total expenses	\$ 874,545	\$ 73,880	\$ 9,246	\$ 957,671

UPWARD TRANSITIONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 335,061	\$ 42,915	\$ -	\$ 377,976
Payroll taxes and employee benefits	76,346	6,702	-	83,048
Total salaries and related expenses	411,407	49,617	-	461,024
Housing support	98,788	-	-	98,788
Utilities support	60,180	-	-	60,180
Supportive services	36,124	-	-	36,124
Transportation services	15,850	-	-	15,850
Professional fees	13,184	3,143	10,158	26,485
Office	13,966	4,500	940	19,406
Information technology	5,073	1,268	3,214	9,555
Insurance	13,812	3,380	-	17,192
Occupancy	15,492	3,877	-	19,369
Other	9,129	1,357	5,795	16,281
Total expenses before depreciation	693,005	67,142	20,107	780,254
Depreciation	18,526	4,632	-	23,158
Total expenses	\$ 711,531	\$ 71,774	\$ 20,107	\$ 803,412

UPWARD TRANSITIONS, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (25,743)	\$ (101,191)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net decrease (increase) in value of beneficial interest in assets held by others	(4,862)	7,397
Interest income added to certificates of deposit	(1,483)	(1,317)
Depreciation	23,681	23,158
Loss on disposal of equipment	-	81
Loss on redirected beneficial interest in assets held by others	-	101,802
Change in operating assets and liabilities:		
Receivables	35,157	(36,046)
Prepaid expenses	(1,240)	(680)
Accounts payable and accrued liabilities	19,278	4,327
Funds held for others	(5,458)	(10,271)
	39,330	(12,740)
Cash Flows from Investing Activities		
Distributions of beneficial interests in assets held by others	5,171	3,348
Cash Flows from Financing Activities		
Proceeds from Paycheck Protection Program loan	80,300	-
	124,801	(9,392)
Net change in cash and cash equivalents		
Cash and cash equivalents at beginning of year	308,225	317,617
	\$ 433,026	\$ 308,225
	\$ 433,026	\$ 308,225
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position		
Operating funds	\$ 189,340	\$ 95,666
Board-designated funds	243,467	206,882
Restricted	219	5,677
	\$ 433,026	\$ 308,225
	\$ 433,026	\$ 308,225
Supplemental Disclosures of Cash Flow Information		
In-kind donations for campaigns and fundraisers	\$ 9,227	\$ 18,950
	\$ 9,227	\$ 18,950

UPWARD TRANSITIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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 \$243,467 and \$206,882 as of June 30, 2020 and 2019, 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.

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.

Certificates of deposit

Certificates of deposit 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.

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 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. 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, 2020, there were refundable advances of \$11,451 included in accounts payable and accrued liabilities in the statements of financial position. There were no refundable advances as of June 30, 2019.

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 pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendment clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. On July 1, 2019, Upward Transitions adopted this ASU using the modified prospective method. The adoption of this ASU resulted in no impact to the Upward Transitions financial statements.

Accounting pronouncements not yet adopted

In May 2014, the FASB issued ASU No. 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. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As deferred by ASU No. 2020-05, the update is effective for Upward Transitions for the year ending June 30, 2021. The standard permits the use of either the retrospective or cumulative effect transition method. Upward Transitions will be evaluating the impact this standard will have on its financial statements and related disclosures; however, Upward Transitions will apply the guidance using the cumulative effect transition method. The cumulative effect (if any) of applying the standard will be accounted for as an adjustment to the opening balance of net assets at the date of initial application.

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. ASU No. 2018-13 is effective for Upward Transitions for its fiscal year ending June 30, 2021. Upward Transitions is currently evaluating the impact of this new standard 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.

Subsequent events

Management has evaluated events through December 9 2020, 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:

	2020	2019
Cash and cash equivalents - operating funds	\$ 189,340	\$ 95,666
Certificates of deposit	86,039	84,556
Receivables	359,369	394,526
Available distributions from beneficial interests in assets held by others	4,729	5,053
Total financial assets available to meet general expenditures within one year	<u>\$ 639,477</u>	<u>\$ 579,801</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 \$243,467 and \$206,882 as of June 30, 2020 and 2019, 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 \$5,265 and \$5,171, for the years ended June 30, 2020 and 2019, respectively, from the funds both contributed from Upward Transitions and from various donors. At June 30, 2020 and 2019, the fair value of the funds contributed by Upward Transitions was \$10,516 and \$10,825, 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 \$103,306 and \$106,037 at June 30, 2020 and 2019, respectively.

In June 2017, The Oklahoma United Methodist Foundation, Inc. (OUMF) received an endowment fund (the Fund) to benefit Upward Transitions. In January 2019, the donor redirected the Fund to a different recipient and the beneficial interest in assets held by OUMF, totaling \$101,802, was written off. Upward Transitions received distributions of \$2,820 for the year ended June 30, 2019.

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, 2020 or 2019.

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, 2020:

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

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, 2019:

	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by OCCF	\$ -	\$ -	\$ 10,825	\$ 10,825
Total	\$ -	\$ -	\$ 10,825	\$ 10,825

Level 3 measurements

The fair value of beneficial interests in assets held by OCCF 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	
	2020	2019
Balance, beginning of year	\$ 10,825	\$ 123,372
Net investment performance	4,862	(7,397)
Distributions to Upward Transitions	(5,171)	(3,348)
Loss on redirected beneficial interest in assets held by others	-	(101,802)
Balance, end of year	<u>\$ 10,516</u>	<u>\$ 10,825</u>

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. 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 (decrease) 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 5 – Properties and Equipment

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

	2020	2019
Land	\$ 150,591	\$ 150,591
Buildings	727,332	727,332
Office furniture and equipment	65,121	65,121
Total properties and equipment	943,044	943,044
Accumulated depreciation	(192,846)	(169,165)
Properties and equipment, net	<u>\$ 750,198</u>	<u>\$ 773,879</u>

Note 6 – Net Assets with Donor Restrictions

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	<u>\$ 352,242</u>	<u>\$ 8,274</u>	<u>\$ 360,516</u>

Net assets with donor restrictions are available for the following purposes at June 30, 2019:

Purpose	For a Specific Purpose/Time	Held in Perpetuity	Total
Community outreach	\$ 350,000	\$ -	\$ 350,000
Endowment for operations	2,551	8,274	10,825
Total	<u>\$ 352,551</u>	<u>\$ 8,274</u>	<u>\$ 360,825</u>

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:

	2020	2019
City of Oklahoma City:		
United States Department of Housing and Urban		
Development (HUD) Emergency Solutions Grant Program	\$ 22,530	\$ 62,866
Social Services grant	14,300	14,300
Oklahoma City Airport Trust service agreement	72,100	70,000
Board of Oklahoma County Commissioners Emergency		
Utility Assistance Program	42,000	40,000
Federal Emergency Management Act Emergency Food and		
Shelter Program	27,600	27,600
Victims of Crime Act grant	2,647	-
	<u>\$ 181,177</u>	<u>\$ 214,766</u>

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 – Risks and Uncertainties

In March 2020, the pandemic outbreak of a novel coronavirus known as COVID-19 began to spread throughout the United States, resulting in emergency declarations by national, state and local governments and municipalities. As a result, many industries are experiencing disruptions to business operations and reduced consumer spending. While the disruptions are currently expected to be temporary, there is uncertainty surrounding the duration. Upward Transitions acknowledges the continued spread of COVID-19 could potentially negatively impact operations, contributions and other support; however, any related financial impact cannot be reasonably estimated at this time.

On March 27, 2020, in response to the COVID-19 outbreak, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted. In April 2020, Upward Transitions received loan proceeds in the amount of \$80,300 under the Small Business Administration's Paycheck Protection Program (PPP), which was established as part of the CARES Act. The PPP provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan, which is in the form of a note with a bank, matures in April 2022 and bears interest at a rate of 1% per annum. Monthly payments of \$4,497 commence in November 2020. The note may be prepaid by Upward Transitions at any time prior to maturity with no prepayment penalties. PPP loans and accrued interest were initially forgivable after eight weeks (covered period) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. On June 5, 2020, the U.S. Congress enacted the PPP Flexibility Act (Flex Act), which gives borrowers more time to use the funds received, more time to repay amounts not forgiven, and lower limits on how the funds are required to be spent. Among other things, the Flex Act extends the covered period from eight to 24 weeks, beginning on the date of loan origination, to provide borrowers with options to maximize forgiveness. Upward Transitions elected to consider the PPP loan a financial liability under Accounting Standards Codification (ASC) 470, *Debt*, and ASC 405, *Liabilities*. It is uncertain how much of the loan will be forgiven. When Upward Transitions is legally released from the liability, either judicially or by the creditor, Upward Transitions will reduce the liability and record a gain on extinguishment of debt in the statement of activities.

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, 2020, 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 9, 2020.

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.



Oklahoma City, Oklahoma
December 9, 2020