



UPWARD TRANSITIONS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, Upward Transitions Inc. adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of Upward Transition 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 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 19, 2019

UPWARD TRANSITIONS, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents:		
Operating funds	\$ 95,666	\$ 96,790
Board-designated funds	206,882	204,879
Restricted	5,677	15,948
Certificates of deposit	84,556	83,239
Receivables:		
United Way of Central Oklahoma	350,000	343,507
Others	44,526	14,973
Prepaid expenses	4,982	4,302
	792,289	763,638
Total current assets	792,289	763,638
Beneficial interest in assets held by others	10,825	123,372
Property and equipment, net	773,879	797,118
	\$ 1,576,993	\$ 1,684,128
Total assets	\$ 1,576,993	\$ 1,684,128
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 30,258	\$ 25,931
Funds held for others	5,677	15,948
	35,935	41,879
Total liabilities	35,935	41,879
Net assets:		
Without donor restrictions:		
Undesignated	199,472	173,373
Board-designated	206,882	204,879
Invested in property and equipment, net	773,879	797,118
	1,180,233	1,175,370
Total net assets without donor restrictions	1,180,233	1,175,370
With donor restrictions	360,825	466,879
	1,541,058	1,642,249
Total net assets	1,541,058	1,642,249
Total liabilities and net assets	\$ 1,576,993	\$ 1,684,128

UPWARD TRANSITIONS, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
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
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	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 ACTIVITIES

Year ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenues and support			
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 assets released from restrictions	347,206	(347,206)	-
Total operating revenues and support	771,849	1,594	773,443
Operating expenses			
Program services:			
Community outreach	654,779	-	654,779
Airport	53,101	-	53,101
Total program	707,880	-	707,880
Supporting services:			
General and administrative	84,858	-	84,858
Fundraising	22,235	-	22,235
Total operating expenses	814,973	-	814,973
Change in net assets	(43,124)	1,594	(41,530)
Net assets at beginning of year	1,218,494	465,285	1,683,779
Net assets at end of year	<u>\$ 1,175,370</u>	<u>\$ 466,879</u>	<u>\$ 1,642,249</u>

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.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2018

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and wages	\$ 329,009	\$ 49,295	\$ -	\$ 378,304
Payroll taxes and employee benefits	75,089	7,127	-	82,216
Total salaries and related expenses	404,098	56,422	-	460,520
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
Total expenses before depreciation	685,174	78,859	22,235	786,268
Depreciation	22,706	5,999	-	28,705
Total expenses	\$ 707,880	\$ 84,858	\$ 22,235	\$ 814,973

UPWARD TRANSITIONS, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (101,191)	\$ (41,530)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net decrease (increase) in value of beneficial interest in assets held by others	7,397	(9,951)
Interest income added to certificates of deposit	(1,317)	(399)
Depreciation	23,158	28,705
Loss on disposal of equipment	81	699
Loss on redirected beneficial interest in assets held by others	101,802	-
Change in operating assets and liabilities:		
Receivables	(36,046)	(6,457)
Prepaid expenses	(680)	(1,445)
Accounts payable and accrued liabilities	4,327	1,046
Funds held for others	(10,271)	15,948
	(12,740)	(13,384)
Net cash used in operating activities		
Cash Flows from Investing Activities		
Purchases of equipment	-	(1,520)
Distributions of beneficial interests in assets held by others	3,348	4,658
	3,348	3,138
Net cash provided by investing activities		
Net decrease in cash and cash equivalents	(9,392)	(10,246)
Cash and cash equivalents at beginning of year	317,617	327,863
Cash and cash equivalents at end of year	\$ 308,225	\$ 317,617
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position		
Operating funds	\$ 95,666	\$ 96,790
Board-designated funds	206,882	204,879
Restricted	5,677	15,948
	\$ 308,225	\$ 317,617
Supplemental Disclosures of Cash Flow Information		
In-kind donations for campaigns and fundraisers	\$ 18,950	\$ 9,123

UPWARD TRANSITIONS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

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 \$206,882 and \$204,879 as of June 30, 2019 and 2018, 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 collectability.

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. Grant revenue is recognized when all applicable contingencies have been met.

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 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 replaced the previous 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) expanded 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) required expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses, and (4) required 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 was adopted on a retrospective basis in 2019. As a result, Upward Transitions changed its presentation of its net asset classes and expanded the footnote disclosures as required by the standard.

Accounting pronouncements not yet adopted

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.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU, which becomes effective for the June 30, 2020 year, provides guidance on whether a receipt from a third-party resource provider falls under the contributions standard or whether it is an exchange transaction. Upward Transitions is currently evaluating the effect that the standard will have on its financial statements and related disclosures.

In August 2018, the FASB issued ASU 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 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.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform with the 2019 presentation. These reclassifications had no impact on the previously reported change in net assets.

Subsequent events

Management has evaluated events through December 19, 2019, 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:

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 308,225	\$ 317,617
Certificates of deposit	84,556	83,239
Receivables	394,526	358,480
Available distributions from beneficial interests in assets held by others	<u>5,053</u>	<u>7,991</u>
Total financial assets at year-end	792,360	767,327
Less amounts restricted or not available to be used within one year:		
Funds held for others - Give More Fund	(5,677)	(15,948)
Board-designated funds	<u>(206,882)</u>	<u>(204,879)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 579,801</u>	<u>\$ 546,500</u>

Upward Transitions maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Upward Transitions defines general expenditures 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 \$206,882 and \$204,879 as of June 30, 2019 and 2018, 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) 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 \$5,171 and \$5,053, for the years ended June 30, 2019 and 2018, respectively, from the funds both contributed from Upward Transitions and from various donors. At June 30, 2019 and 2018, the fair value of the funds contributed by Upward Transitions was \$10,825 and \$10,629, 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 \$106,037 and \$104,401 at June 30, 2019 and 2018, respectively.

In June 2017, 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. The fair value of the Fund was \$112,743 at June 30, 2018. Upward Transitions received distributions of \$2,820 and \$4,138, for the years ended June 30, 2019 and 2018, 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, 2019 or 2018.

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, 2019:

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

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

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	
	2019	2018
Balance, beginning of year	\$ 123,372	\$ 118,079
Net investment performance	(7,397)	9,951
Distributions to Upward Transitions	(3,348)	(4,658)
Loss on redirected beneficial interest in assets held by others	(101,802)	-
Balance, end of year	\$ 10,825	\$ 123,372

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 5 – Properties and Equipment

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

	2019	2018
Land	\$ 150,591	\$ 150,591
Buildings	727,332	727,332
Office furniture and equipment	65,121	65,202
Total properties and equipment	943,044	943,125
Accumulated depreciation	(169,165)	(146,007)
Properties and equipment, net	<u>\$ 773,879</u>	<u>\$ 797,118</u>

Note 6 – Net Assets with Donor Restrictions

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	\$ 8,274	\$ 358,274
General operating	2,551	-	2,551
Total	<u>\$ 352,551</u>	<u>\$ 8,274</u>	<u>\$ 360,825</u>

Net assets with donor restrictions are available for the following purposes at June 30, 2018:

Purpose	For a Specific Purpose/Time	Held in Perpetuity	Total
Community outreach	\$ 320,028	\$ 115,393	\$ 435,421
General operating	7,979	-	7,979
Management and general	23,479	-	23,479
Total	<u>\$ 351,486</u>	<u>\$ 115,393</u>	<u>\$ 466,879</u>

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

Note 7 – Grants and Contracts from Government Agencies

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

	2019	2018
City of Oklahoma City:		
United States Department of Housing and Urban		
Development (HUD) Emergency Solutions Grant Program	\$ 62,866	\$ 28,134
Social Services grant	14,300	13,000
Oklahoma City Airport Trust service agreement	70,000	68,253
Board of Oklahoma County Commissioners Emergency		
Utility Assistance Program	40,000	45,000
Federal Emergency Management Act Emergency Food and		
Shelter Program	27,600	21,450
	<u>\$ 214,766</u>	<u>\$ 175,837</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 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.

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

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, 2019, 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 19, 2019.

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 19, 2019