



UPWARD TRANSITIONS, INC.
(formerly TRAVELERS AID AND HOMELESS ASSISTANCE CENTER, INC.)

FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

WITH

INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Upward Transitions, Inc.

We have audited the accompanying statement of financial position of Upward Transitions, Inc. (formerly Travelers Aid and Homeless Assistance Center, Inc.) (Upward Transitions) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Upward Transitions' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Upward Transitions' 2011 financial statements and, in our report dated November 7, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Upward Transitions' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Upward Transitions at June 30, 2012, and the results of its activities and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

HoganTaylor LLP

October 22, 2012

UPWARD TRANSITIONS, INC.
(formerly TRAVELERS AID AND HOMELESS ASSISTANCE CENTER, INC.)

STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents:		
Operating funds	\$ 110,629	\$ 70,615
Board-designated funds	47,955	47,588
Restricted cash	63,221	44,355
Certificates of deposit	79,989	79,989
Accounts receivable:		
United Way of Central Oklahoma	355,200	342,263
Others	53,631	44,281
Prepaid expenses	2,610	2,831
Property held for sale	185,913	-
	899,148	631,922
Total current assets	899,148	631,922
Beneficial interest in assets held by others	8,274	8,274
Funds designated for acquisition of properties and equipment	35,000	50,000
Properties and equipment, net	94,004	281,666
Total assets	\$ 1,036,426	\$ 971,862
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 15,845	\$ 6,655
Current portion of long-term debt due within one year	14,123	13,376
Total current liabilities	29,968	20,031
Long-term debt, less current portion	54,802	68,426
Net assets:		
Unrestricted:		
Board-designated	82,955	97,588
Undesignated	442,006	390,925
Total unrestricted	524,961	488,513
Temporarily restricted	418,421	386,618
Permanently restricted	8,274	8,274
Total net assets	951,656	883,405
Total liabilities and net assets	\$ 1,036,426	\$ 971,862

UPWARD TRANSITIONS, INC.
(formerly TRAVELERS AID AND HOMELESS ASSISTANCE CENTER, INC.)

STATEMENTS OF ACTIVITIES

Year ended June 30, 2012

(with summarized totals for year ended June 30, 2011)

	2012			Total	2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating revenues and support					
Annual campaign and fundraisers:					
Revenues	\$ 111,595	\$ -	\$ -	\$ 111,595	\$ 81,076
Expenses	(26,818)	-	-	(26,818)	(29,835)
Contributions:					
United Way of Central Oklahoma	-	355,200	-	355,200	382,263
Others	41,104	25,000	-	66,104	38,395
Grants and contracts from government agencies	435,493	-	-	435,493	356,512
Rental income	15,370	-	-	15,370	17,455
Interest income	473	-	-	473	615
Net assets released from restrictions	348,397	(348,397)	-	-	-
Total operating revenues and support	925,614	31,803	-	957,417	846,481
Operating expenses					
Programs:					
Community outreach	371,957	-	-	371,957	389,285
Homeless prevention and rapid re-housing	275,365	-	-	275,365	224,292
Airport	66,582	-	-	66,582	65,066
Transition housing and family outreach	126,623	-	-	126,623	132,762
Total programs	840,527	-	-	840,527	811,405
Fund raising	7,296	-	-	7,296	5,662
General and administrative	41,343	-	-	41,343	38,503
Total operating expenses	889,166	-	-	889,166	855,570
Increase (decrease) in net assets from operations	36,448	31,803	-	68,251	(9,089)
Gain on sale of property	-	-	-	-	72,578
Increase in net assets	36,448	31,803	-	68,251	63,489
Net assets at beginning of year	488,513	386,618	8,274	883,405	819,916
Net assets at end of year	\$ 524,961	\$ 418,421	\$ 8,274	\$ 951,656	\$ 883,405

See notes to financial statements.

UPWARD TRANSITIONS, INC.
(formerly TRAVELERS AID AND HOMELESS ASSISTANCE CENTER, INC.)

STATEMENTS OF CASH FLOWS

Years ended June 30, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Increase in net assets	\$ 68,251	\$ 63,489
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	16,749	17,402
Gain on sale of property	-	(72,578)
Change in operating assets and liabilities:		
Accounts receivable	(22,287)	(17,182)
Prepaid expenses	222	496
Accounts payable and accrued liabilities	9,190	430
Deferred revenues	-	(23,696)
	72,125	(31,639)
Cash Flows from Investing Activities		
Increase in restricted cash	(18,867)	(182)
Purchases of properties and equipment	(15,000)	-
Proceeds from sale of property	-	97,770
	(33,867)	97,588
Cash Flows from Financing Activities		
Payments on debt	(12,877)	(12,425)
	(12,877)	(12,425)
Net increase in cash and cash equivalents	25,381	53,524
Cash and cash equivalents at beginning of year	168,203	114,679
Cash and cash equivalents at end of year	\$ 193,584	\$ 168,203
Cash and Cash Equivalents		
Current assets:		
Operating funds	\$ 110,629	\$ 70,615
Board-designated funds	47,955	47,588
Noncurrent assets - funds designated for acquisition of property and equipment	35,000	50,000
Total cash and cash equivalents	\$ 193,584	\$ 168,203

See notes to financial statements.

UPWARD TRANSITIONS, INC.
(formerly TRAVELERS AID AND HOMELESS ASSISTANCE CENTER, INC.)

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

On April 24, 2012, Travelers Aid and Homeless Assistance Center, Inc. changed its name to Upward Transitions, Inc. (Upward Transitions) which is a nonprofit organization whose mission is to serve those who are homeless and impoverished by providing case management and stabilizing resources to meet basic social needs. The ultimate goal is to assist individuals and families so they reach their potential with the ability to support themselves and contribute back to their community. The community outreach program assesses client's needs and develops a plan to help clients become or remain self-sufficient. The airport program consists of volunteers who assist the traveling public at Will Rogers World Airport by providing information about airport services and the Oklahoma City metro area. The family outreach program consists of comprehensive case management and transitional housing and homeless prevention services.

Summarized comparative financial information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Upward Transitions' financial statements for fiscal year 2011 from which the summarized information was derived.

Basis of presentation

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

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets are comprised of board-designated (see Note 3) and undesignated.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Upward Transitions or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Upward Transitions reports temporarily restricted support as unrestricted if restrictions are met in the same reporting period.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that such resources be maintained permanently by Upward Transitions. Generally, the donors of these assets permit Upward Transitions to use all or part of the income earned on any related investments for general or specific purposes.

Expiration of donor-imposed restrictions

The expiration of a donor-imposed restriction on a contribution is recognized in the year in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions of property and equipment without donor stipulations concerning the use of long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire property and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes, by occurrence of events specified by the donors, or by the change of restriction specified by the donors.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposit bank accounts and temporary investments with maturities of 90 days or less when purchased by Upward Transitions.

Financial instruments valuation

Certificates of deposit are valued at cost plus accrued interest, which approximates fair value. Beneficial interest in assets held by others is stated at fair value as determined by the foundation that holds the assets based on the fair value of the underlying investments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Property held for sale

Property held for sale is carried at the lower of cost or fair value less estimated costs to sell.

Properties and equipment

Properties and equipment are recorded at cost, if purchased, or at fair value at the date of contribution, if contributed. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from 2 to 30 years.

Impairment of long-lived assets

Periodically, Upward Transitions assesses the recoverability of its long-lived assets. 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 significantly complete. Unconditional promises to make a contribution are recognized as revenue in the period the pledge is received. Grant revenue is recognized when all applicable contingencies have been met.

Donated services

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

Income tax reporting

Upward Transitions is a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code. Upward Transitions could be subject to taxation if it generates income unrelated to its exempt purpose, pursuant to the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by Upward Transitions and recognize a tax liability (or asset) if Upward Transitions has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service or other taxing authorities. Management has analyzed the tax positions taken by Upward Transitions, and has concluded that as of June 30, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Upward Transitions is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2009.

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 October 22, 2012, the date the financial statements were available to be issued (See Note 3).

Note 2 – Beneficial Interest in Assets Held by Others

Upward Transitions has transferred funds to Oklahoma City Community Foundation, Inc. (the Foundation), and specified itself as the beneficiary of the funds. Annually, distributions from the funds are paid to Upward Transitions according to the Foundation's spending policy. The Foundation maintains variance power over these funds. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community. The Foundation also maintains legal ownership of the funds.

In addition to these funds, the Foundation maintains other funds that have been contributed by various donors to the Foundation for the benefit of Upward Transitions. The funds contributed by various donors are not included as assets of Upward Transitions. The earnings from these funds are paid to Upward Transitions each fiscal year. For fiscal years 2012 and 2011, Upward Transitions received \$4,196 and \$3,531, respectively, from the funds both contributed from Upward Transitions and from various donors. At June 30, 2012 and 2011, the fair value of the funds contributed by Upward Transitions was \$8,274. 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 \$85,613 and \$88,678 at June 30, 2012 and 2011, respectively.

Note 3 – Properties and Equipment

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

	2012	2011
Land	\$ 30,816	\$ 30,816
Buildings	83,842	368,645
Earnest deposits on purchase of properties	15,000	-
Office furniture and equipment	44,187	44,187
Other	1,700	1,700
Total properties and equipment	175,545	445,348
Accumulated depreciation	(81,541)	(163,682)
Properties and equipment, net	<u>\$ 94,004</u>	<u>\$ 281,666</u>

In fiscal year 2011, the Board of Directors designated property sales proceeds of \$97,770 for refurbishment of Upward Transitions' facilities. As of June 30, 2012 and 2011, the balance of board-designated, unrestricted net assets (consisting of cash equivalents) was \$82,955 and \$97,588, respectively. The portion of these net assets that have been designated for future properties and equipment purchases have been classified in the accompanying financial statements as funds designated for acquisition of properties and equipment.

In fiscal year 2012, Upward Transitions agreed to sell its operating facility. In connection therewith, a building with a net carrying amount of \$185,913 was reclassified to property held for sale from properties and equipment in the accompanying statement of financial position.

On September 4, 2012, Upward Transitions sold its operating facility for \$945,000 in cash. Sales proceeds of \$66,782 and \$292,325 were used to pay off long-term debt and to purchase two properties, respectively.

Note 4 – Long-Term Debt

Long-term debt consists of the following as of June 30:

	2012	2011
Note payable to bank, payable in monthly installments of \$1,161, including interest at a variable rate (effective rate of 4.750% at June 30, 2012), maturing on February 20, 2017 (A)	\$ 51,495	\$ 60,742
Note payable to local government entity, payable in monthly installments of \$309, including interest at 0.375%, maturing on February 20, 2017 (A)	17,430	21,060
	68,925	81,802
Less current portion of long-term debt due within one year	14,123	13,376
Long-term debt, less current portion	<u>\$ 54,802</u>	<u>\$ 68,426</u>

(A) Collateralized by property held for sale with a net carrying amount as of June 30, 2012, of \$185,913.

Debt maturities for the five fiscal years subsequent to June 30, 2012, are as follows:

2013	\$ 14,123
2014	14,924
2015	15,786
2016	16,718
2017	<u>7,374</u>
	<u>\$ 68,925</u>

Cash paid for interest was \$2,753 and \$3, 207 for the years ended June 30, 2012 and 2011, respectively.

Note 5 – Temporarily Restricted Net Assets

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

	<u>2012</u>	<u>2011</u>
Contributions received with donor restricted purpose:		
United Way of Central Oklahoma pledge	\$ 355,200	\$ 342,263
United Way of Central Oklahoma utilities assistance program	-	3,791
Trans-Siberian Orchestra music program	38,221	40,564
Sarkeys Foundation client services renovation project	<u>25,000</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 418,421</u>	<u>\$ 386,618</u>

Note 6 – Grants and Contracts from Government Agencies

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

	<u>2012</u>	<u>2011</u>
City of Oklahoma City:		
United States Department of Housing and Urban Development (HUD) Emergency Shelter Grant Program	\$ 37,580	\$ 28,000
Social services grant	9,000	12,000
(HUD) Homelessness Prevention and Rapid Re-housing Program	279,472	208,081
Oklahoma City Airport Trust service agreement	64,310	60,670
Oklahoma Housing Finance Agency contract	679	3,256
Board of Oklahoma County Commissioners Emergency Utility Assistance Program	34,000	34,000
Federal Emergency Management Act	<u>10,452</u>	<u>10,505</u>
	<u>\$ 435,493</u>	<u>\$ 356,512</u>

Note 7 – Concentrations of Credit Risk

Financial instruments, which potentially subject Upward Transitions to credit risk, consist of cash and cash equivalents, certificates of deposit, accounts receivable and beneficial interest in assets held by others. Credit risk for all of Upward Transitions' accounts receivable is concentrated because the majority of the balances are receivable from organizations located within the same geographic region.