



Audited Financial Statements  
and  
Single Audit Reports

August 31, 2017

## UP2US, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Up2Us, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Up2Us, Inc. ("Up2Us"), which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 from 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 organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization'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 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 Up2Us Inc. as of August 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018 on our consideration of Up2Us' 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 financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Up2Us' internal control over financial reporting and compliance.



Schall & Ashenfarb  
Certified Public Accountants, LLC

October 5, 2018

**UP2US, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2017**

**Assets**

Cash and cash equivalents	\$229,844
Government grants receivable	295,028
Contributions receivable	1,500,000
Contracts receivable, net	502,495
Prepaid expenses	38,835
Security deposit	<u>8,517</u>
Total assets	<u><u>\$2,574,719</u></u>

**Liabilities and Net Assets**

Liabilities:

Accounts payable and accrued expenses	\$347,654
Deferred revenue	153,090
Government grant advances	110,820
Loans payable (Note 5)	<u>138,354</u>
Total liabilities	<u><u>749,918</u></u>

Net assets:

Unrestricted	(763,590)
Temporarily restricted (Note 3)	<u>2,588,391</u>
Total net assets	<u><u>1,824,801</u></u>

Total liabilities and net assets	<u><u>\$2,574,719</u></u>
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*The attached notes and auditor's report are an integral part of these financial statements.*

**UP2US, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Contributions	\$1,040,453	\$2,152,040	\$3,192,493
Government grants	1,964,144		1,964,144
Contract income	1,963,313		1,963,313
Donated services (Note 4)	212,000		212,000
Consulting income	60,945		60,945
Special events (net of expenses with a direct benefit to donor) (Note 7)	147,887		147,887
Rental income and other	26,003		26,003
Net assets released from restrictions (Note 3)	1,640,461	(1,640,461)	0
Total public support and revenue	<u>7,055,206</u>	<u>511,579</u>	<u>7,566,785</u>
Expenses:			
Program services	5,912,659		5,912,659
Supporting services:			
Management and general	786,005		786,005
Fundraising	989,335		989,335
Total supporting services	<u>1,775,340</u>	<u>0</u>	<u>1,775,340</u>
Total expenses	<u>7,687,999</u>	<u>0</u>	<u>7,687,999</u>
Change in net assets	(632,793)	511,579	(121,214)
Net assets - beginning of year	<u>(130,797)</u>	<u>2,076,812</u>	<u>1,946,015</u>
Net assets - end of year	<u><u>(\$763,590)</u></u>	<u><u>\$2,588,391</u></u>	<u><u>\$1,824,801</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**UP2US, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

	Supporting Services				Total Expenses
	Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$1,400,867	\$252,948	\$539,063	\$792,011	\$2,192,878
Coaches' living allowance	2,580,991			0	2,580,991
Total personnel	<u>3,981,858</u>	<u>252,948</u>	<u>539,063</u>	<u>792,011</u>	<u>4,773,869</u>
Payroll taxes and employee benefits	667,750	66,895	146,201	213,096	880,846
Coaches' /Vistas' living allowance	119,658			0	119,658
Program expenses (including in-kind of \$120,000) (Note 4)	147,200			0	147,200
Rent (including in-kind of \$92,000) (Note 4)	138,704	25,044	53,374	78,418	217,122
Telephone and utilities	15,796	2,852	6,079	8,931	24,727
Repairs and maintenance		3,862		3,862	3,862
Equipment rental	1,664	938		938	2,602
Professional fees	271,271	283,898	138,005	421,903	693,174
Insurance	4,910	887	1,889	2,776	7,686
Publications, office equipment and supplies	9,545	1,724	3,673	5,397	14,942
Dues and subscriptions	5,696	1,029	2,192	3,221	8,917
Travel and conferences	523,867	2,940	910	3,850	527,717
Special events			171,270	171,270	171,270
Bad debt		138,521		138,521	138,521
Miscellaneous	24,740	4,467	9,520	13,987	38,727
Total program and supporting services expenses	<u>5,912,659</u>	<u>786,005</u>	<u>1,072,176</u>	<u>1,858,181</u>	<u>7,770,840</u>
Less: direct costs of special events			<u>(82,841)</u>	<u>(82,841)</u>	<u>(82,841)</u>
Total expenses	<u><u>\$5,912,659</u></u>	<u><u>\$786,005</u></u>	<u><u>\$989,335</u></u>	<u><u>\$1,775,340</u></u>	<u><u>\$7,687,999</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**UP2US, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Cash flows from operating activities:	
Changes in net assets	(\$121,214)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Changes in assets and liabilities:	
Government grants receivable	(46,054)
Contributions receivable	(244,117)
Contracts receivable	(187,420)
Prepaid expenses	60,596
Security deposit	(3,536)
Accounts payable and accrued expenses	72,089
Deferred revenue	59,665
Government grant advances	110,820
Total adjustments	<u>(177,957)</u>
Net cash flows used for operating activities	<u>(299,171)</u>
Cash flows from financing activities:	
Proceeds from loans payable	225,000
Repayments of loans payable	(86,646)
Net cash flows provided by financing activities	<u>138,354</u>
Net decrease in cash and cash equivalents	(160,817)
Cash and cash equivalents - beginning of year	<u>390,661</u>
Cash and cash equivalents - end of year	<u><u>\$229,844</u></u>
Supplemental disclosure of cash flow information:	
Interest paid	<u><u>\$6,450</u></u>
Taxes paid	<u><u>\$0</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**UP2US, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**Note 1 - Organization**

Up2Us, Inc. (“Up2Us”) is leading a national movement to advance sports as a tool for addressing the critical issues facing youth in this nation, including childhood obesity, academic failure, and anti-social behavior. Up2Us accomplishes this by supporting a national network of more than 500-member organizations operating in all fifty states. Together, these organizations serve 20 million youth through both traditional and non-traditional sports. In joining Up2Us, these members pledge to share best practices, advance initiatives that extend opportunities to new youth, and deliver quality programs in underserved communities where there is a tremendous need for constructive outlets for kids.

Up2Us, Inc. (a not-for-profit organization) has been notified by the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

**Note 2 - Summary of Significant Accounting Policies**

a. Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than when received or paid. All significant receivables, payables and other liabilities have been reflected.

b. Basis of Presentation

As a not-for-profit organization, activity is required to be reported in specific classes of net assets, as follows:

- *Unrestricted* – accounts for activity without donor-imposed restrictions as well as activity with donor-imposed restrictions, which expire within the same period that the donation is received.
- *Temporarily restricted* – accounts for activity based on specific donor restrictions that are expected to be satisfied by the passage of time or performance of activities.
- *Permanently restricted* – accounts for activity restricted by donors that must remain intact in perpetuity. There was no permanently restricted activity or net assets during the year.

c. Cash and Cash Equivalents

Up2Us considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

d. Concentration of Credit Risk

Financial instruments which potentially subject Up2Us to concentration of credit risk consists of cash and money market accounts which have been placed with financial institutions that management deems to be creditworthy. At year end and at certain times throughout the year, Up2Us had material uninsured balances; however, no losses have been suffered due to the failure of any of these institutions.

e. Contributions Receivable

Contributions that are expected to be received in less than one year are recorded at net realizable value. Those that are due in greater than one year are recorded at fair value which is calculated using a risk adjusted rate of return. All outstanding receivables at year end are due to be collected in less than one year.

f. Allowance for Doubtful Accounts

Management reviews receivables for collectability based on various factors such as historical experience and subsequent collections. Based on this review, management has established a reserve for potential uncollectible pledges and contract income of approximately \$70,000.

g. Government Grants

Government grants are recognized as income when a reimbursable expense is incurred. The difference between revenue recognized and cash received is reflected as government grant receivable or government grant advances.

h. Contributions

Up2Us reports contributions at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions received with restrictions from the donor for specific purposes or time periods are reported in the temporarily restricted class of net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. However, when a restriction is satisfied within the same period that the contribution is received, it is recorded as unrestricted.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional pledges as of August 31, 2017.

i. Donated Services and Rent

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind. (See Note 4.)

j. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

- k. Functional Allocation of Expenses  
The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- l. Accounting for Uncertainty of Income Taxes  
Up2Us does not believe its financial statements include any material, uncertain tax positions. Tax filings for the periods ending August 31, 2014 and later are subject to examination by applicable taxing authorities.
- m. Subsequent Events  
Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through October 5, 2018, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.
- n. New Accounting Pronouncement  
On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the August 31, 2019 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in the financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows.

On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the August 31, 2020 year, with early implementation permitted, provides guidance on whether a receipt from a third party resource provider should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions.

FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the August 31, 2020 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

In addition, FASB issued ASU No. 2016-02, *Leases*. The ASU, which becomes effective for the August 31, 2021 year, requires all leases to be reflected as assets and liabilities on the statement of financial position.

Up2Us is in the process of evaluating the impact these standards will have on future financial statements.

**Note 3 - Temporarily Restricted Net Assets**

The following summarizes the changes in temporarily restricted net assets:

	Net Assets <u>9/1/16</u>	<u>Contributions</u>	Released from <u>Restrictions</u>	Net Assets <u>8/31/17</u>
Program Restrictions:				
Member services	\$59,123	\$152,040	(\$71,089)	\$140,074
Coach Across America	1,972,307	2,000,000	(1,569,372)	2,402,935
Coach Mentorship	<u>45,382</u>	<u>0</u>	<u>0</u>	<u>45,382</u>
Total	<u>\$2,076,812</u>	<u>\$2,152,040</u>	<u>(\$1,640,461)</u>	<u>\$2,588,391</u>

**Note 4 - Donated Services and Rent**

The following schedule reflects the allocation of donated services and rent:

	Program <u>Services</u>	Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Rent	\$58,772	\$10,612	\$22,616	\$92,000
Program uniforms	<u>120,000</u>	<u>0</u>	<u>0</u>	<u>120,000</u>
Total	<u>\$178,772</u>	<u>\$10,612</u>	<u>\$22,616</u>	<u>\$212,000</u>

**Note 5 - Loans Payable**

On June 23, 2016, Up2Us entered into a line of credit agreement with Citibank in the amount of \$150,000 at a variable rate with monthly payments of 2% of the outstanding principal balance, which was \$138,354 at year end.

**Note 6 - Retirement Plan**

Up2Us sponsors a tax deferred annuity plan under 403(b) of the Internal Revenue Code for all full-time employees. The employees designate a percentage of their salaries to be contributed to the plan. The plan is non-contributory on the part of Up2Us.

**Note 7 - Special Events**

The following summarizes the special event activity:

Special event revenue	\$230,728
Less: expenses with a direct benefit to donor	<u>(82,841)</u>
	147,887
Less: other event expenses	<u>(88,429)</u>
Total	<u>\$59,458</u>

**Note 8 - Significant Concentrations**

Up2Us received approximately 26% of their total support and revenue from one large donor during the year.

**Note 9 - Commitments and Contingencies**

a. Program Audits

Government supported projects are subject to audit by the applicable granting agency. Management feels that there is minimal risk, that the results of any such audit would reflect disallowed costs and has not recorded an allowance for such an event. Any disallowed costs that may arise in the future will be recognized when Up2Us is notified, and a liability is considered probable.

b. Leases

As of August 31, 2017, Up2Us has leases for rental of office spaces in several cities, including, Boston, California, Chicago, Florida, Louisiana, Pennsylvania, Seattle, and Washington DC. The leases expire at various times from 2017 through 2019. Minimum rental amounts due are as follows:

Year ending:	August 31, 2018	\$83,392
	August 31, 2019	23,130
	August 31, 2020	<u>1,500</u>
Total		<u>\$108,022</u>

**Note 10 - Availability of Funds for Donor-Imposed Restrictions**

Up2Us does not have the appropriate amount of cash and cash equivalents on hand to comply with all donor-imposed restrictions.

**UP2US, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Grant Number	Federal Expenditures **
<b><u>US Corporation for National and Community Service:</u></b>			
AmeriCorps National	94.006	16NDHNY003	\$1,012,367
AmeriCorps National, passed through the Illinois Department of Public Health	94.006	67380022D	11,980
AmeriCorps National, passed through the Illinois Department of Public Health	94.006	77380022E	106,257
AmeriCorps National, passed through Volunteer Louisiana	94.006	12AFHLA0010012	116,968
AmeriCorps National, passed through PennSERVE	94.006	4100074050	108,550
AmeriCorps National, passed through PennSERVE	94.006	4100078174	5,423
AmeriCorps National, passed through California Volunteers	94.006	15ACHY23-C158	146,113
Total AmeriCorps National			<u>1,507,658 *</u>
Volunteers in Service to America	94.013	09VSANY005	12,500
Total US Corporation for National and Community Service			<u>1,520,158</u>
<b><u>US Department of Justice:</u></b>			
Juvenile Mentoring Program	16.726	2012-JU-FX-0041	443,986
Total US Department of Justice			<u>443,986</u>
Total Federal Expenditures			<u><u>\$1,964,144</u></u>

\*Indicates a major program.

\*\*No subrecipients were used on any federal award.

*The attached notes and auditor's report are an integral part of this schedule.*

**UP2US, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Up2Us under programs of the federal government for the year ended August 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Up2Us, it is not intended to and does not present the financial position, changes in net assets or cash flows of Up2Us.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule of Federal Awards are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in OMB's *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Under federal cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying members are presented where available. No sub-recipients were used.

**Note 3 - Indirect Cost Rate**

Up2Us has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S 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***

To the Board of Directors of  
Up2Us, 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 Up2Us, Inc. ("Up2Us"), which comprise the statement of financial position as of August 31, 2017, 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 October 5, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Up2Us' 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 Up2Us' internal control. Accordingly, we do not express an opinion on the effectiveness of Up2Us' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2017-001 and 2017-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2017-003 to be a significant deficiency.

## **Compliance and Other Matters**

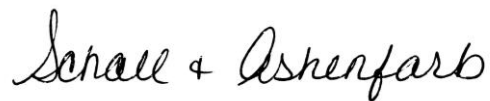
As part of obtaining reasonable assurance about whether Up2Us' financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 through 2017-004.

## **Up2Us' Response to Findings**

The response from Up2Us to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.



Schall & Ashenfarb  
Certified Public Accountants, LLC

October 5, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Up2Us, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Up2Us, Inc.'s ("Up2Us") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Up2Us' major federal programs for the year ended August 31, 2017. Up2Us' major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for each of Up2Us' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Up2Us' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Up2Us' compliance with those requirements.

## **Basis for Adverse Opinion on Major Federal Program**

As described in the accompanying schedule of findings and questioned costs, Up2Us did not comply with requirements regarding AmeriCorps National – Coach Across America program, CFDA # 94.006 as indicated in findings 2017-005 for cash management, reporting, and matching and 2017-006 for activities allowed or unallowed, allowable costs/cost principles. Compliance with such requirements is necessary, in our opinion, for Up2Us to comply with requirements applicable to that program.

## **Adverse Opinion on AmeriCorps National – Coach Across America program, CFDA #94.006**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, Up2Us did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on AmeriCorps National – Coach Across America program, CFDA # 94.006 for the year ended August 31, 2017.

Up2Us' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Up2Us' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control over Compliance**

Management of Up2Us is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Up2Us' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Up2Us' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over

compliance described in the accompanying schedule of findings and questioned costs as items 2017-005 and 2017-006 to be material weaknesses.

Up2Us' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Up2Us' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Schall & Ashenfarb  
Certified Public Accountants, LLC

October 5, 2018

**UP2US, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<u>  X  </u> yes	_____ no
Significant deficiencies identified?		
Not considered to be material weaknesses?	<u>  X  </u> yes	_____ none reported
Noncompliance material to financial statements noted?	<u>  X  </u> yes	_____ no

**Federal Awards**

Internal control over major programs:		
Material weakness(es) identified?	<u>  X  </u> yes	_____ no
Significant deficiencies identified		
Not considered to be material weaknesses?	_____ yes	<u>  X  </u> no
Type of auditor’s report issued on compliance for major programs:	Adverse for CFDA #94.006	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	<u>  X  </u> yes	_____ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
94.006	AmeriCorps National

Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>  750,000  </u>
Auditee qualified as low-risk auditee?	_____ yes <u>  X  </u> no

**UP2US, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**Section II – Financial Statement Findings**

**Current Year:**

**2017-001 – Significant Adjustments and Account Analysis**

*Criteria:* The books should be maintained to permit the preparation of financial statements in accordance with accounting principles generally accepted in the U.S.

*Condition:* Adjustments were identified during the audit, that management agreed to, so that the financial statements would not be materially misstated.

*Cause:* The financial management team consisting of a contracted director of finance (“DOF”), assistant director of finance, and accounting staff did not perform useful analysis on a regular basis, therefore the books contained errors that required adjustments.

*Effect:* The financial statements that would have been prepared based on the information in the books were not free of material error.

*Recommendation:* Ongoing account analysis should be performed that identifies and corrects errors in the books so that accurate financial statements could be prepared.

*Views of Responsible Officials:* See Corrective Action Plan attached.

**2017-002 – Expense Allocations**

*Criteria:* Expenses that are charged to specific government grants and restricted contributions should be recorded in the proper cost center that relates to the grant. The expenses recorded in the cost center should be used as the basis for claiming funds for government grants and reporting back to grantors and donors.

*Condition:* Expenses were not consistently recorded in the correct cost centers. This caused the expenses allocated within the books to be different than the reports submitted to the grantors. In addition, salaries allocated per timesheets did not agree to the books.

*Cause:* The finance management team that was maintaining the books and records for the majority of the year ended August 31, 2017 did not record transactions correctly and there was no oversight to detect this on a timely basis.

*Effect:* The financial statements that would have been prepared based on the information in the books were not free of material error.

Recommendation: All costs should be recorded in the proper cost center. The expenses recorded in the cost center for each grant should be the basis for requesting a reimbursement of funds from the government grantor and used to report actual expenses back to all grantors.

Views of Responsible Officials: See Corrective Action Plan attached.

### **2017-003 – Wire Transfer Procedures**

Criteria: Wire transfers should follow authorization guidelines that are consistent with check signing policies.

Condition: The contracted DOF who had access to the books and records also had authority to make wire transfers.

Cause: The policy that outlined authorizations did not take into account wire transfers.

Effect: Unauthorized wire transfers could have been made without anybody preventing or detecting it in the normal course of their assigned functions.

Recommendation: There should be adequate segregation of duties between those that authorize payments and those that record transactions in the books. Additionally, the Treasurer of the board of directors could review the monthly bank statements.

Views of Responsible Officials: See Corrective Action Plan attached.

### **2017-004 – Timely Submission of Single Audit**

Criteria: Single audits are required to be submitted at the earlier of 30 days after completeness or ninth months after the fiscal year has ended.

Condition: The single audit reports were not submitted until October 2018, approximately three months after the nine-month due date.

Cause: The finance management team that was maintaining the books and records for the majority of the year ended August 31, 2017 was not in place at year end or after year-end which lead to delays in closing the books.

Effect: Up2Us was not in conformity with a significant clause of its grant.

Recommendation: The executive director should monitor the financial consultants to ensure the books are closed on time and proper analysis is performed so the audit could start in a more timely manner.

Views of Responsible Officials: See Corrective Action Plan attached.

**UP2US, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**Section III – Federal Award Findings**

Current Year:

**2017-005 – Cash Management, Reporting, and Matching**

Program: CFDA 94.006 – AmeriCorps National

Sponsor Award Number: 16NDHNY003, 67380022D/77380022E,12AFHLA0010012, 4100074050/4100078174, and 15ACHY23-C158

Sponsor Agency: US Corporation for National and Community Service, Illinois Department of Public Health, Volunteer Louisiana, PennSERVE, and California Volunteers

Criteria:

Cash Management: Expenses charged to federal awards must be incurred to minimize the time elapsing between the transfer of funds from the U.S. Treasury.

Reporting: The financial management system of non-federal entities, including records and documents, must be sufficient to permit reports required to establish that such funds have been used in accordance with the grant award.

Matching: For all federal awards, matching funds must meet certain criteria, including that the costs must be verifiable from the non-federal entity's records.

Citation: 2 CFR 200.302, 200.305 (b)(3) and (b)(4)

Condition: Drawdowns for cash and claims for reimbursement on government grants could not be reconciled to amounts within the books. The books did not reflect salaries in the proper cost centers. Procedures were not in place to verify that salaries claimed (including matching funds) agreed to the timesheets or to minimize the time elapsing between the transfer of funds from the U.S. Treasury.

Cause: The old members of the financial management team who worked on FY 2016 and FY 2017 did not document how they determined the salaries that were claimed for reimbursement on government contracts. There was turnover in the accounting department in FY 2016 that continued through FY 2017.

Effect: We were unable to determine if expenses were incurred in a timely manner.

Questioned Costs: None. Cash management does not relate to allowable costs. As to reporting and matching, new accounting consultants were hired subsequent to the end of FY 2017 to assist with compiling the data for the auditors and to allocate salaries to the correct cost center for grants within the books.

Context: This was a universal problem that effected all government grants.

Repeat Finding: Yes

Recommendation: We recommend that all expenses be charged to a cost center that corresponds to the specific government grant it relates to and that claims for reimbursement or drawdowns be prepared from or reconciled to the total expenses for the applicable cost center within the books on a timely basis throughout the year.

Views of Responsible Officials: See Corrective Action Plan attached.

## **2017-006 – Activities Allowed or Unallowed, Allowable Costs/Cost Principles**

Program: CFDA 94.006 – AmeriCorps National

Sponsor Award Number: 16NDHNY003, 67380022D/77380022E, 12AFHLA0010012, 4100074050/4100078174, and 15ACHY23-C158

Sponsor Agency: US Corporation for National and Community Service, Illinois Department of Public Health, Volunteer Louisiana, PennSERVE, and California Volunteers

Criteria: Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis
- (v) Comply with the established accounting policies and practices of the non-Federal entity
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Citation: 2 CFR 200.430(i)

Condition: Expenses were not consistently recorded in the correct cost centers within the books. For certain employees who worked on multiple contracts, amounts charged to federal awards did not agree to timesheet reports that were signed by that individual employee or their responsible supervisory official. Additionally, for this same group of employees, the amounts charged to government grants (both federal and non-federal) exceeded actual amounts paid to these employees.

Cause: Vouchers were prepared during the year based on budget rather than time sheet analysis. Final salary allocations were determined after year-end and were not based on actual time spent.

Effect: The amount of personal services charged to the Federal award is not properly supported.

Questioned Costs: For the major program, CFDA #94.006 – AmeriCorps National, questioned costs were as follows:

Salaries	\$93,679
Fringe benefits	<u>28,947</u>
Total	<u>\$122,626</u>

For the non-major program, CFDA #16.726 – Juvenile Mentoring Program, questioned costs were as follows:

Salaries	\$67,645
Fringe benefits	<u>20,902</u>
Total	<u>\$88,547</u>

Context: The auditor calculated questioned costs to include administrative employees that had less time indicated worked on the major Federal program than what was charged. Similar issues noted on these same timesheets for other Federal programs have been identified as questioned costs. Employees that worked exclusively on one contract covered by the Federal award had timesheets to support the time spent on the grant and were excluded from the calculation.

Repeat Finding: No

Recommendation: We recommend that timesheets be used to support all allocations as the basis for recording salary to the books and used as the source of costs that get charged to Federal awards.

Views of Responsible Officials: See Corrective Action Plan attached.



## Summary Schedule of Prior Year Audit Findings

### **Section I – Financial Statement Findings**

#### Prior Year Follow-Up:

**2016-001 – Significant Adjustments and Account Analysis: See finding 2017-001**

**2016-002 – Expense Allocations: See finding 2017-002**

**2016-003 – Wire Transfer Procedures: See finding 2017-003**

**2016-004 – Timely Submission of Single Audit: See finding 2017-004**

### **Section II – Federal Award Findings and Questioned Costs**

#### Prior Year Follow-Up:

**2016-005 – Cash Management and Reporting: See finding 2017-005**

**2016-006 – Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance and Matching: See findings 2017-005 and 2017-006**

## MANAGEMENT RESPONSE



Management concurs with the findings but would like to provide background to the response summarizing their understanding of the issues and corrective action plan going into FY 2017/2018. A new Accounting Firm was hired to oversee the Financial Department.

### **2017-001 – Significant Adjustments and Account Analysis**

Management concurs with the finding and has taken the corrective action plan for FY2018. The COO and the accounting firm are currently reconciling FY 2018 and updating the financial records. In addition, the COO and the accounting firm have put mechanisms in place to ensure monthly ongoing reconciliations and accurate financial statements will be completed.

### **2017-002 – Expense Allocations**

Management concurs with the finding. For FY 2018, the accounting firm has been working with the financial management team ensuring that the expenses are recorded in the correct cost centers with the review of the COO.

### **2017-003 – Wire Transfer Procedures**

Management concurs with the finding. The signature authority has been removed from the contracted CFO. The accounting manual was also updated to implement a policy that requires an authorized user and dual signature for all wires. In addition, management implemented a procedure to ensure that the CEO reviews the bank activity.

### **2017-004 – Timely Submission of Single Audit**

Management concurs with the finding. Up2us hired an accounting firm to assist with the catch-up reconciliation for FY 2018 and will work with the finance team to ensure that reconciliations are done monthly to generate accurate financial statements timely.

### **2017-005 – Cash Management**

A new Accounts Receivable and Accounts Payable Manager has been hired to oversee the cash receipts and disbursements process and ensure that expenses are recorded as it happens. In addition, a new Finance Grants Manager has been hired and maintains the records and support for drawdowns that are reconciled to the books. Timesheet process has been revisited and the new Finance Grants Manager has been reviewing the timesheets to confirm they are aligned with Up2Us' process.



## 2017-006 – Allowable Costs

During FY 2016, the finance department had a transition of staff as well as lost staff that Up2us was advised not to replace by their then current CFO. This personnel matter continued through FY 2017, and due to the lack of staff, it became apparent to the newly hired COO, that some aspects of financial accounting and reporting were inaccurate. In FY 2017, two issues came to light (1) there were variances between the timesheets and the time charged to some grants, and (2) no one had reviewed the overall time allocation for all grants and departments. Because of this oversight, some staff were allocated for more than 100% of their salary.

For FY 2018, Up2Us has terminated the CFO and hired a Finance Grants Manager who has been reviewing the timesheets and ensuring that the staff has been putting their time in correctly and in accordance with Up2Us policies. Timesheets are the basis of the invoices created for drawdowns instead of budget. Furthermore, the new accounting consultants that were hired has been reviewing the allocations for overall accuracy and reasonableness.