

Up2Us, Inc.

Financial Statements and
Uniform Guidance Schedules

August 31, 2018

Up2Us, Inc.

Financial Statements and Uniform Guidance Schedules
Together with Independent Auditors' Reports

August 31, 2018

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Independent Auditors' Report

Board of Directors
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, 2018 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.

Auditors' 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 auditors' 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 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 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 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 as of August 31, 2018, 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.

Substantial Doubt about Up2Us's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that Up2Us will continue as a going concern. As discussed in Note 10 to the financial statements, Up2Us has suffered recurring significant reductions in grant revenues, has a net deficiency in net assets, and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 August 28, 2019 on our consideration of Up2Us'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Up2Us's 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's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

August 28, 2019

Up2Us, Inc.

Statement of Financial Position August 31, 2018

ASSETS

Cash	\$ 20,151
Government grants receivable	333,434
Contracts receivable, net	880,288
Prepaid expenses	3,256
Security deposit	<u>8,517</u>
Total Assets	<u>\$ 1,245,646</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 364,446
Deferred revenue	283,180
Government grant advances	<u>27,162</u>
Total Liabilities	<u>674,788</u>
Net Assets	
Unrestricted (deficit)	(1,549,898)
Temporarily restricted	<u>2,120,756</u>
Total Net Assets	<u>570,858</u>
Total Liabilities and Net Assets	<u>\$ 1,245,646</u>

See notes to financial statements

Up2Us, Inc.

Statement of Activities For the Year Ended August 31, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	\$ 208,669	\$ 2,401,753	\$ 2,610,422
Government grants	2,783,215	-	2,783,215
Contract income	2,283,663	-	2,283,663
Donated services	234,100	-	234,100
Consulting income	32,618	-	32,618
Special event (net of costs of direct benefits to donors of \$87,184)	357,981	-	357,981
Other income	30,970	-	30,970
Net assets released from restrictions	<u>1,369,388</u>	<u>(1,369,388)</u>	<u>-</u>
Total Revenue and Support	<u>7,300,604</u>	<u>1,032,365</u>	<u>8,332,969</u>
EXPENSES			
Program services	6,531,330	-	6,531,330
Management and general	1,418,443	-	1,418,443
Fundraising	<u>137,139</u>	<u>-</u>	<u>137,139</u>
Total Expenses	<u>8,086,912</u>	<u>-</u>	<u>8,086,912</u>
Change in Net Assets	(786,308)	1,032,365	246,057
NET ASSETS (DEFICIT)			
Beginning of year	<u>(763,590)</u>	<u>1,088,391</u>	<u>324,801</u>
End of year	<u>\$ (1,549,898)</u>	<u>\$ 2,120,756</u>	<u>\$ 570,858</u>

See notes to financials statements

Up2Us, Inc.

Statement of Functional Expenses For the Year Ended August 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,550,264	\$ 805,734	\$ -	\$ 2,355,998
Payroll taxes and employee benefits	861,379	71,780	-	933,159
Coaches'/Vistas' living allowance	<u>2,834,738</u>	-	-	<u>2,834,738</u>
Total Personnel	5,246,381	877,514	-	6,123,895
Program expenses (including in-kind of \$147,700)	195,216	-	-	195,216
Grants to sub-grantees	101,096	-	-	101,096
Rent (including in-kind of \$86,400)	71,255	150,018	67,890	289,163
Telephone and utilities	17,197	20,635	-	37,832
Repairs and maintenance	765	4,490	-	5,255
Equipment rental	11	2,422	10,900	13,333
Professional fees	239,381	242,856	104,435	586,672
Insurance	-	7,193	-	7,193
Publications, office equipment and supplies	25,396	11,249	13,391	50,036
Dues and subscriptions	8,632	9,509	650	18,791
Travel and conferences	427,742	32,246	19,657	479,645
Licenses and fees	18,863	30,789	4,250	53,902
Special event	-	-	3,000	3,000
Bad debt	168,882	-	-	168,882
Miscellaneous	<u>10,513</u>	<u>29,522</u>	<u>150</u>	<u>40,185</u>
	6,531,330	1,418,443	224,323	8,174,096
Special events - direct benefit to donors	<u>-</u>	<u>-</u>	<u>(87,184)</u>	<u>(87,184)</u>
Total Functional Expenses	<u>\$ 6,531,330</u>	<u>\$ 1,418,443</u>	<u>\$ 137,139</u>	<u>\$ 8,086,912</u>

See notes to financials statements

Up2Us, Inc.

Statement of Cash Flows Year Ended August 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 246,057
Adjustments to reconcile change in net assets to net cash from operating activities	
Bad debt expense	168,882
Changes in assets and liabilities	
Government grants receivable	(38,406)
Contracts receivable	(546,675)
Prepaid expenses	35,579
Accounts payable and accrued expenses	16,792
Deferred revenue	130,090
Government grant advances	<u>(83,658)</u>
Net Cash From Operating Activities	<u>(71,339)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loans payable	57,570
Repayments of loans payable	<u>(195,924)</u>
Net Cash From Financing Activities	<u>(138,354)</u>
Net Change in Cash	(209,693)

CASH

Beginning of year	<u>229,844</u>
End of year	<u>\$ 20,151</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest	\$ 21,634
Taxes paid	1,735

See notes to financial statements

Up2Us, Inc.

Notes to Financial Statements
August 31, 2018

1. Organization and Tax Status

Up2Us, Inc. (the "Organization"), 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. The Organization 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 nontraditional sports. Upon joining the Organization, 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.

The 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).

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Asset 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.
- *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.

Revenues and other assets are reported as changes in unrestricted net assets unless limited by explicit donor-imposed restrictions or by law. When restrictions on net assets expire, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, those amounts are reported as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2018

2. Summary of Significant Accounting Policies (continued)

Contributions and Contracts Receivable

Payments that are expected to be received in less than one year are recorded at net realizable value. Those that are due beyond one year are recorded at net present value which is calculated using a risk adjusted rate of return. As of August 31, 2018, all outstanding contribution and contract receivables are due to be collected in less than one year.

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 contract payments of approximately \$174,367 as of August 31, 2018.

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.

Contract Income

Contract income is recognized as income when the service for host site is provided. The difference between revenue recognized and cash received is reflected as contracts receivable or deferred revenue in the statement of financial position.

Contributions

The Organization 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.

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, 2018.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2018

2. Summary of Significant Accounting Policies *(continued)*

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.

The following schedule reflects the details of the donated goods and services received:

Rent	\$ 86,400
Program uniforms	147,000
Photography services	<u>700</u>
	<u>\$ 234,100</u>

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.

Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for the periods ending August 31, 2015 and later are subject to examination by applicable taxing authorities.

Subsequent Events

Management has evaluated for potential recognition and disclosure, events subsequent to the date of the statement of financial position through August 28, 2019, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through the evaluation date that would require adjustment to or disclosure in the financial statements.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consists principally of cash on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The Organization does not believe that a significant risk of loss, due to the failure of a financial institution presently exists. For the year ended August 31, 2018, one private donor comprised 12% of their total revenue and support.

Up2Us, Inc.

Notes to Financial Statements August 31, 2018

4. Temporarily Restricted Net Assets

The following summarizes the changes in temporarily restricted net assets:

<u>Purpose/Restriction</u>	<u>Balance at September 1, 2017</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance at August 31, 2018</u>
Member services	\$ 140,074	\$ 551,000	\$ (453,185)	\$ 237,889
Coach Across America	902,935	1,850,753	(870,821)	1,882,867
Coach mentorship	45,382	-	(45,382)	-
Total	<u>\$ 1,088,391</u>	<u>\$ 2,401,753</u>	<u>\$ (1,369,388)</u>	<u>\$ 2,120,756</u>

5. Debt and Related Party Transactions

Bank Line of Credit

On June 23, 2016, the Organization entered into a line of credit agreement with its primary bank in the amount of \$150,000 at a variable rate with monthly payments of 2% of the outstanding principal balance, which was fully paid as of August 31, 2018. Total interest expense amounted to \$13,819 for the year ended August 31, 2018.

Related Party Transactions

During 2018, the Organization received \$160,000 in interest-free, short term loans of less than one year from both members of management and their family members (the "related parties") as a result of the financial position of the Organization. As of August 31, 2018, the Organization has repaid all of these loans to the related parties.

6. Retirement Plan

The Organization 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 the Organization.

7. Special Event

Once a year the Organization hosts a gala as its signature event. The gala event revenue and expenses were as follows:

Special event revenue	\$ 445,165
Direct benefit to donors	<u>(87,184)</u>
Net Income from Special Event	<u>\$ 357,981</u>

Up2Us, Inc.

Notes to Financial Statements
August 31, 2018

8. Commitments and Contingencies

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 the Organization is notified, and a liability is considered probable.

Leases

As of August 31, 2018, the Organization has leases for rental of office spaces in several locations, including, Boston, California, Chicago, Florida, Louisiana, Pennsylvania, Seattle, and Washington DC. The leases expire at various times through 2020. Rent expense including in-kind, was \$289,163 for 2018.

Minimum rental amounts due are as follows:

2019	\$ 23,130
2020	<u>1,500</u>
Total	<u>\$ 24,630</u>

9. Prior Period Adjustment

In 2018, the Organization discovered errors in amounts held as temporarily restricted net assets. This resulted in the restatement of temporarily restricted net assets as of August 31, 2017. The adjustment is as follows:

	<u>Temporarily Restricted Net Assets</u>
August 31, 2017 balance, as reported	\$ 2,588,391
Prior period adjustment	<u>(1,500,000)</u>
August 31, 2017 balance, as restated	<u>\$ 1,088,391</u>

Up2Us, Inc.

Notes to Financial Statements
August 31, 2018

10. Management's Discussion of Current Economic Environment and Plans to Improve Results of Operations

The Organization has taken several actions to address the financial stress and improve on-going operations. These actions, include, but are not limited to: a reduction in training staff in 2018, more aggressive recruiting of fee-based program partners, reducing training costs by 15%, and partnering with both the Baltimore Ravens (2018) and LA Dodgers Foundation (2019) to help cover costs in their respective program locations, hiring a full time National Development Director and adding another special event to increase donors in multiple program locations. The Organization also improved the accounts receivable process and has collected over \$360,000 in past due accounts. The Organization plans for further actions, the objectives of which include increasing cash flow, improving operational efficiency and improving its internal controls, including but not limited to increased pricing on certain training contracts, and continued improvement in its fundraising efforts.

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Up2Us, Inc.

Uniform Guidance Schedules and Reports

August 31, 2018

Up2Us, Inc.

Schedule of Expenditures of Federal Awards
Year Ended August 31, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Corporation for National and Community Service				
Direct Programs				
AmeriCorps	94.006		\$ -	\$ 1,162,992
Pass-through California Volunteers				
AmeriCorps	94.006	15ACHY23-C158	-	130,550
Pass-through California Volunteers				
AmeriCorps	94.006	17AFHY24-F182	-	110,761
Pass-through Serve Illinois				
AmeriCorps	94.006	87380022F	-	148,937
Pass-through Volunteer Florida				
AmeriCorps	94.006	17AC194113	-	133,762
Pass-through Volunteer Louisiana				
AmeriCorps	94.006	15ACHLA0010005	-	129,264
Pass-through PennServe				
AmeriCorps	94.006	15CHPA0010003	-	120,003
Total AmeriCorps			-	1,936,269
Direct Programs				
Volunteers in Service to America	94.013		-	20,833
Total Corporation for National and Community Service			-	1,957,102
Department of Justice				
Direct Programs				
Juvenile Mentoring Program	16.726		86,397	631,762
Total Department of Justice			86,397	631,762
Total Expenditures of Federal Awards			\$ 86,397	\$ 2,588,864

See independent auditors' report and notes to the Schedule of Expenditures of Federal Awards

Up2Us, Inc.

Notes to the Schedule of Expenditures of Federal Awards Year Ended August 31, 2018

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Up2Us, Inc. (the "Organization") under programs of the federal government for the year ended August 31, 2018. The information in this schedule is presented in accordance with the 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"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. **Non-Cash Awards**

For the year ended August 31, 2018, the Organization did not have any non-cash awards, mortgages, or loan funds that should be included in the federal expenditures presented in this Schedule.

4. **Indirect Cost Rate**

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**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 Auditors' Report

**Board of Directors
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. (the "Organization"), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expense and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 28, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify 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 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002 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 item 2018-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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*.

The Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Organization's 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.

PKF O'Connor Davies, LLP

August 28, 2019

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

Board of Directors
Up2Us, Inc.

Report on Compliance for Each Major Federal Program

We have audited Up2Us, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2018. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's 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 the Organization's 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 qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Basis for a Qualified Opinion on AmeriCorps 94.006

As described in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding CFDA 94.006, AmeriCorps, as described in finding number 2018-004 for timely submission of single audit. Compliance with such requirement is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

Qualified Opinion on AmeriCorps 94.006

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 94.006, AmeriCorps, for the year ended August 31, 2018.

Other Matters

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Organization's 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 the Organization 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 the Organization's 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 the Organization's internal control over compliance.

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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

PKF O'Connor Davies, LLP

August 28, 2019

Up2Us, Inc.

Schedule of Findings and Questioned Costs
Year Ended August 31, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

Noncompliance material to the financial statements noted?

yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

Type of auditors' report issued on compliance for major federal programs:

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

94.006

AmeriCorps

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

Section II – Financial Statement Findings

2018-001 Strengthen Control Procedures for Recording Contributions

Criteria

Generally accepted accounting principles ("GAAP") require an organization to record contributions based upon the explicit instructions of the donor.

Condition

The Organization inadvertently recorded a conditional promise as well as a donor intention as unconditional promises to give and thus recorded a corresponding multi-year receivable in prior periods based on previous guidance and treatment by outside bookkeepers. This resulted in a prior period adjustment during the fiscal year.

Cause

From time to time, organizations receive communications from donors that are intentions to give, rather than promises to give. As such, these communications do not meet the requirements to be recognized.

Up2Us, Inc.

Schedule of Findings and Questioned Costs *(continued)*
Year Ended August 31, 2018

Section II – Financial Statement Findings (continued)

2018-001 Strengthen Control Procedures for Recording Contributions *(continued)*

Effect

A contribution is conditional based on whether an agreement includes both a barrier(s) that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The contribution included both of these attributes. Therefore, the Organization is not entitled to record the transaction until it has overcome the barriers as set forth in the agreement.

Recommendation

We recommend that both the finance department and management review all documentation for major gifts received and stipulate any intentions on a gift processing form for contributions.

Views of Responsible Officials

See Corrective Action Plan

2018-002 – Reconciliation of General Ledger Accounts and Audit Readiness

Criteria

The general ledger should be maintained to permit the preparation of financial statements in accordance with GAAP.

Condition

During our audit, it was noted that the outside bookkeepers did not perform certain account analysis until several months after the commencement of audit fieldwork. This resulted in a significant number of adjusting and reclassification journal entries by the Organization several months after year-end and commencement of the audit.

Cause

The staff and outside bookkeepers did not perform a timely analysis.

Effect

The unadjusted financial statements, that would have been prepared based on the information in the books, were not free of material error. Account balances in the general ledger were not accurately stated and required adjustments.

Up2Us, Inc.

Schedule of Findings and Questioned Costs *(continued)*
Year Ended August 31, 2018

Section II – Financial Statement Findings (continued)

2018-002 – Reconciliation of General Ledger Accounts and Audit Readiness *(continued)*

Recommendation

We recommend that management review the resources at both the outside bookkeeper level and the finance department and evaluate the capacity needed to have formal monthly closings, including the monthly reconciliations and analyses to ensure that monthly financial statements have been prepared utilizing accurate numbers. In addition, monthly account analysis will help ensure a timelier close of the year-end audit process.

Views of Responsible Officials

See Corrective Action Plan

2018-003 – Strengthen Control Procedures for Related Party Transactions

Criteria

Transactions between related parties are considered related party transactions that must be disclosed in accordance with GAAP. Related-party transactions sometimes involve contracts containing more favorable terms than those in similar arm's length transactions between unrelated third parties. Related-party transactions can provide opportunities for individuals to act in a manner that's inconsistent with the public interest.

Condition

During our audit, we noted that there were individual loans given to the Organization from both management and an immediate family member of management during the fiscal year. We noted that there was no formal agreement or documentation between each of these related parties and the Organization.

Cause

The staff and outside bookkeepers did not keep documentation regarding these loans.

Effect

Some transactions lacked transparency and could have an improper appearance.

Recommendation

Disclosure of related party transactions is a not-for-profit's response to regulators' concerns about whether those charged with governance are meeting their fiduciary responsibilities. Having the appropriate documentation on file, and ensuring that the transactions are disclosed to and have board consent is a best practice that needs to be followed.

Views of Responsible Officials

See Corrective Action Plan

Up2Us, Inc.

Schedule of Findings and Questioned Costs *(continued)*
Year Ended August 31, 2018

Section III – Federal Award Findings and Questioned Costs

2018-004 – Timely Submission of Single Audit

CFDA Number: 94.006

Name of Program or Cluster: AmeriCorps

Agency: Corporation for National and Community Service

Criteria

Single audits are required to be submitted at the earlier of 30 days after the receipt of the auditors' report or nine months after the fiscal year end.

Condition/Context

The single audit reports were not submitted until August 2019, approximately three months after the due date.

Cause

The general ledger was not maintained in an efficient manner which led to delays during the audit.

Questioned Costs

None

Effect

The Organization was not in conformity with a clause in the grant and also the requirements for a single audit.

Repeat findings from Prior Years

This is a repeat finding, and was noted as finding 2017-004 in the prior year.

Recommendation

We recommend that management monitor the maintenance of the general ledger and monthly account analysis to help ensure a timelier close of the year-end audit and single audit process.

Views of Responsible Officials

See Corrective Action Plan

Section IV – Prior Year Findings

2017-001 - Significant Adjustments and Account Analysis

Criteria or Specific Requirement

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

Current Status

Condition still exists due to those findings noted in 2018-002. Furthermore, the reason for the finding's recurrence is that although the organization hired new employees and third party accountants since the prior year in order to address the matters identified, there were still delays in the closing process and the issuance of the financial statements. See Corrective Action Plan for continued improvements planned by management to address these findings.

Up2Us, Inc.

Schedule of Findings and Questioned Costs (*continued*)
Year Ended August 31, 2018

Section IV – Prior Year Findings (*continued*)

2017-002 - Expense Allocations

Criteria or Specific Requirement

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.

Current Status

Condition has been rectified

2017-003 - Wire Transfer Procedures

Criteria or Specific Requirement

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

Current Status

Condition has been rectified

2017-004 - Timely Submission of Single Audit

Criteria or Specific Requirement

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

Current Status

Condition still exists due to those findings noted in 2018-004. Furthermore, the reason for the finding's recurrence is that although the organization hired new employees and third party accountants since the prior year in order to address the matters identified, there were still delays in the closing process and the issuance of the financial statements. See Corrective Action Plan for continued improvements planned by management to address these findings.

2017-005 - Cash Management, Reporting, and Matching

Criteria or Specific Requirement

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

Current Status

Condition has been rectified

Up2Us, Inc.

Schedule of Findings and Questioned Costs *(continued)*
Year Ended August 31, 2018

Section IV – Prior Year Findings (continued)

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

Criteria or Specific Requirement

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
- (vi) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works 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 allowed using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Current Status

Condition has been rectified



Corporation for National Community Service – AmeriCorps
250 E Street SW, Suite 300
Washington, DC 20525-001
Attention: Andrea House

Corrective Action Plan

Section II – Financial Statement Findings

2018-001 Strengthen Control Procedures for Recording Contributions

Condition

The Organization inadvertently recorded a conditional promise as an unconditional promise to give and thus recorded a corresponding multi-year receivable. This resulted in a prior period adjustment during the fiscal year.

Views of Responsible Officials and Corrective Action Plan

While management concurs with the finding, this is a shift from past guidance received and how outside bookkeepers interpreted agreements. We agree and understand going forward the interpretation of this finding as it relates to the nature of the donor promise.

2018-002 – Reconciliation of General Ledger Accounts and Audit Readiness

Condition

During our audit, it was noted that the outside bookkeepers did not perform certain account analysis until several months after the commencement of audit fieldwork. This resulted in a significant number of adjusting and reclassification journal entries by the Organization several months after year-end and commencement of the audit.

Views of Responsible Officials and Corrective Action Plan

Management concurs with this finding and determined in April of 2018 that bringing on an in-house consultant was necessary, as we were not satisfied that timely and accurate reconciliations had been taking place in months prior. Since that time, our consultant has been hired as our Controller and the general ledger accounts are reconciled and analyzed on a monthly basis. We believe that this positive change became evident in the process of the audit.

2018-003 – Strengthen Control Procedures for Related Party Transactions

Condition

During our audit, we noted that there were individual loans given to the Organization from both management and an immediate family member of management during the fiscal year. We noted that there was no formal agreement or documentation between each of these related parties and the Organization.

Views of Responsible Officials and Corrective Action Plan



Management concurs with this finding and has drafted the following policy which will be added to our administrative handbook. In the event a short term loan may become necessary to conduct day to day business, these short term loans will have terms in writing and reviewed by the finance committee on behalf of the Board.

Section III – Federal Award Findings and Questioned Costs

2018-004 – Timely Submission of Single Audit

CFDA Number: 94.006

Name of Program or Cluster: AmeriCorps

Agency: Corporation for National and Community Service

Condition/Context

The single audit reports were not submitted until August 2019, approximately three months after the due date.

Views of Responsible Officials and Corrective Action Plan

Up2Us Sports concurs with this finding and we have made significant strides to ensure completion of our audit in a timely manner for 2019. We have hired a Controller that ensures reconciliation and analysis are completed monthly. We look to begin our 2019 audit by November of 2019 and expect a timely completion.

Paul Caccamo

Paul Caccamo (Aug 28, 2019)

Paul Caccamo, Chief Executive Officer

Sherah Alaimo

Sherah Alaimo, Chief Operating Officer

Contact Person Responsible for Overseeing the Corrective Action Plan:

Sherah Alaimo

Chief Operating Officer

Contact Number: 504-210-5783

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