

Up2Us, Inc.

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

August 31, 2019

Up2Us, Inc.

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

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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. (the "Organization"), which comprise the statement of financial position as of August 31, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, Inc. as of August 31, 2019, 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

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended August 31, 2019, the Organization adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note 10 of the financial statements, which describes the Organization's discussion of the current events, conditions and plans to improve the results of operations, the decrease in grant revenues, and net deficiency in net assets. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's August 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2020 on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

August 7, 2020

Up2Us, Inc.

Statement of Financial Position
August 31, 2019
(with comparative amounts at August 31, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 26,274	\$ 20,151
Government grants receivable	169,658	333,434
Contracts receivable, net	265,485	880,288
Contributions receivable	129,174	-
Prepaid expenses	6,624	3,256
Security deposits	<u>8,503</u>	<u>8,517</u>
	<u>\$ 605,718</u>	<u>\$ 1,245,646</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Accounts payable and accrued expenses	\$ 309,047	\$ 364,446
Line of credit	98,159	-
Loans payable	85,000	-
Deferred revenue	227,196	283,180
Government grant advances	<u>27,162</u>	<u>27,162</u>
Total Liabilities	<u>746,564</u>	<u>674,788</u>
Net Assets (Deficit)		
Without donor restrictions	(1,996,397)	(1,549,898)
With donor restrictions	<u>1,855,551</u>	<u>2,120,756</u>
Total Net Assets (Deficit)	<u>(140,846)</u>	<u>570,858</u>
	<u>\$ 605,718</u>	<u>\$ 1,245,646</u>

See notes to financial statements

Up2Us, Inc.

Statement of Activities Year Ended August 31, 2019 (with summarized totals for the year ended August 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE AND SUPPORT				
Contributions	\$ 474,142	\$ 1,252,000	\$ 1,726,142	\$ 2,610,422
Government grants	2,398,010	-	2,398,010	2,783,215
Contract income	1,914,594	-	1,914,594	2,283,663
Donated services	265,591	-	265,591	234,100
Consulting income	75,410	-	75,410	32,618
Special event revenue (net of costs of direct benefits to donors of \$47,377 and \$87,184)	333,976	110,000	443,976	357,981
Other income	57,007	-	57,007	30,970
Net assets released from restrictions	<u>1,627,205</u>	<u>(1,627,205)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>7,145,935</u>	<u>(265,205)</u>	<u>6,880,730</u>	<u>8,332,969</u>
EXPENSES				
Program services	5,898,331	-	5,898,331	6,531,330
Management and general	1,467,134	-	1,467,134	1,418,443
Fundraising	<u>226,969</u>	<u>-</u>	<u>226,969</u>	<u>137,139</u>
Total Expenses	<u>7,592,434</u>	<u>-</u>	<u>7,592,434</u>	<u>8,086,912</u>
Change in Net Assets (Deficit)	(446,499)	(265,205)	(711,704)	246,057
NET ASSETS (DEFICIT)				
Beginning of year	<u>(1,549,898)</u>	<u>2,120,756</u>	<u>570,858</u>	<u>324,801</u>
End of year	<u>\$ (1,996,397)</u>	<u>\$ 1,855,551</u>	<u>\$ (140,846)</u>	<u>\$ 570,858</u>

See notes to financial statements

Up2Us, Inc.

Statement of Functional Expenses Year Ended August 31, 2019 (with summarized totals for the year ended August 31, 2018)

	Program Services	Management and General	Fundraising	Cost of Direct Benefit To Donors	2019 Total	2018 Total
Salaries	\$ 1,575,990	\$ 819,132	\$ -	\$ -	\$ 2,395,122	\$ 2,355,998
Payroll taxes and employee benefits	671,876	55,972	-	-	727,848	933,159
Coaches'/Vistas' living allowance	2,419,051	-	-	-	2,419,051	2,834,738
Total Personnel	<u>4,666,917</u>	<u>875,104</u>	-	-	5,542,021	6,123,895
Program expenses (including in-kind equipment of \$75,000)	114,436	-	-	-	114,436	195,216
Grants to sub-grantees	237,954	-	-	-	237,954	101,096
Rent (including in-kind of \$86,400)	89,450	188,338	85,239	-	363,027	289,163
Telephone and utilities	19,238	23,080	-	-	42,318	37,832
Repairs and maintenance	1,262	7,409	-	-	8,671	5,255
Equipment rental	18	415	1,851	-	2,284	13,333
Professional fees (including in-kind legal fees of \$104,191)	257,801	261,592	112,472	46,249	678,114	586,672
Insurance	-	14,581	-	-	14,581	7,193
Publications, office equipment and supplies	24,145	10,693	12,729	-	47,567	50,036
Dues and subscriptions	7,972	8,781	600	-	17,353	18,791
Travel and conferences	248,711	18,741	11,434	-	278,886	479,645
Licenses and fees	10,812	17,651	2,438	-	30,901	53,902
Special event	-	-	-	-	-	3,000
Stipend	38,665	-	-	-	38,665	-
Bad debt	166,441	-	-	-	166,441	168,882
Miscellaneous	14,509	40,749	206	1,128	56,592	40,185
	<u>5,898,331</u>	<u>1,467,134</u>	<u>226,969</u>	<u>47,377</u>	<u>7,639,811</u>	<u>8,174,096</u>
Less direct benefits to donors	-	-	-	(47,377)	(47,377)	(87,184)
Total Expenses Reported by Function on Statement of Activities	<u>\$ 5,898,331</u>	<u>\$ 1,467,134</u>	<u>\$ 226,969</u>	<u>\$ -</u>	<u>\$ 7,592,434</u>	<u>\$ 8,086,912</u>

See notes to financial statements

Up2Us, Inc.

Statement of Cash Flows
Year Ended August 31, 2019
(with comparative amounts for the year ended August 31, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ (711,704)	\$ 246,057
Adjustments to reconcile change in net assets (deficit) to net cash from operating activities		
Bad debt expense	166,441	168,882
Changes in assets and liabilities		
Government grants receivable	163,776	(38,406)
Contracts receivable	448,362	(546,675)
Contributions receivable	(129,174)	-
Prepaid expenses	(3,368)	35,579
Security deposits	14	-
Accounts payable and accrued expenses	(55,399)	16,792
Deferred revenue	(55,984)	130,090
Government grant advances	-	(83,658)
Net Cash From Operating Activities	<u>(177,036)</u>	<u>(71,339)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	418,200	-
Repayments of line of credit	(320,041)	-
Proceeds from loans payable	100,000	57,570
Repayments of loans payable	<u>(15,000)</u>	<u>(195,924)</u>
Net Cash From Financing Activities	<u>183,159</u>	<u>(138,354)</u>
Net Change in Cash	6,123	(209,693)
CASH		
Beginning of year	<u>20,151</u>	<u>229,844</u>
End of year	<u>\$ 26,274</u>	<u>\$ 20,151</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 23,697	\$ 21,634
Taxes paid	105	1,735

See notes to financial statements

Up2Us, Inc.

Notes to Financial Statements
August 31, 2019

1. Organization and Tax Status

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 nontraditional sports. Upon 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 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.

Change in Accounting Principle

On September 1, 2018, Up2Us adopted new guidance regarding the *Presentation of Financial Statements for Not-for-Profit Entities* (ASU 2016-14). This guidance requires Up2Us to collapse the three-category classification of net assets (unrestricted, temporarily restricted, and permanently restricted) into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires Up2Us to make certain expanded disclosures relating to the liquidity of financial assets (see Note 8), and the presentation of expenses by both natural and functional classification in one location in the financial statements (see statement of functional expenses). As a result of implementing this standard, prior year amounts for unrestricted net assets are now presented as net assets without donor restrictions and temporarily restricted net assets are presented as net assets with donor restrictions.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2019

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

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions – consist of resources available for the general support of Up2Us's operations and that may be used at the discretion of the Up2Us's management and Board of Directors.

With donor restrictions – consist of resources which have either an implied or stated time restriction or have been restricted by donors for specified activities including gift instruments requiring the principal be invested in perpetuity and the income be used for specific or general purposes. Donor restrictions that have been satisfied are reported in the statement of activities as net assets released from restrictions and are reclassified to net assets without donor restrictions.

Contract Income and Contracts Receivable

Contract income is recognized as income when the service for a 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.

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, 2019, all outstanding contract receivables are due to be collected in less than one year.

Contribution and Contributions Receivable

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 as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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, 2019 and 2018.

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, 2019, all outstanding contract receivables are due to be collected in less than one year.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2019

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

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 and contribution payments of \$105,182 and \$174,366 as of August 31, 2019 and 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.

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 for the years ended August 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Legal services	\$ 104,191	\$ -
Rent	86,400	86,400
Program uniforms	75,000	147,000
Photography services	-	700
	<u>\$ 265,591</u>	<u>\$ 234,100</u>

Functional Allocation of Expenses

The costs of providing various program, management and general, and fundraising services have been summarized on a functional basis. Expenses readily identifiable to program or supporting services are charged directly to that function. Categories of expenses attributable to program, management and general or fundraising services are allocated on a reasonable basis. Allocated expenses among program, management and general, and fundraising include rent, professional fees, publications, office equipment and supplies, dues and subscriptions, travel and conferences, and licenses and fees which are allocated based on time and costs where efforts are made.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2019

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

Prior Year Summarized Comparative Information

Information as of and for the year ended August 31, 2018 is presented for comparative purposes only. Certain activity by net asset classification is not included in these financial statements. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Up2Us's financial statements as of and for the year ended August 31, 2018, from which the summarized comparative information was derived.

Accounting for Uncertainty of Income Taxes

Up2Us recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Up2Us has no uncertain tax positions that would require financial statement recognition and/or disclosure. Up2Us is no longer subject to examinations by the applicable taxing jurisdictions for the years prior to August 31, 2016.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is August 7, 2020.

3. Concentration of Credit Risk

Financial instruments that potentially subject Up2Us 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. Up2Us does not believe that a significant risk of loss, due to the failure of a financial institution presently exists.

4. Net Assets with Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended August 31, 2019 and 2018:

Purpose/Restriction	Balance at September 1, 2018	Additions	Releases	Balance at August 31, 2019
Member services	\$ 237,889	\$ 659,500	\$ (198,276)	\$ 699,113
Coach Across America	1,882,867	544,000	(1,428,929)	997,938
Gala	-	110,000	-	110,000
Other	-	48,500	-	48,500
Total	<u>\$ 2,120,756</u>	<u>\$ 1,362,000</u>	<u>\$ (1,627,205)</u>	<u>\$ 1,855,551</u>

Purpose/Restriction	Balance at September 1, 2017	Additions	Releases	Balance at August 31, 2018
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>

Up2Us, Inc.

Notes to Financial Statements
August 31, 2019

5. Debt and Related Party Transactions

Bank Line of Credit

In 2016, Up2Us 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. During the year ended August 31, 2019, Up2Us drew down \$418,200 on this line of credit and repaid \$320,041. As of August 31, 2019, Up2Us had an outstanding balance of \$98,159. Total interest expense amounted to \$23,697 and \$13,819 for the years ended August 31, 2019 and 2018.

Related Party Loans

In November 2018, Up2Us entered into an interest-free loan of \$100,000 to be paid back over three years with both the CEO and members his family (the “related party”) as a result of the financial condition of Up2Us. As of August 31, 2019, Up2Us had an outstanding loan payable balance of \$85,000 to the related party.

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.

7. 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 Up2Us is notified, and a liability is considered probable.

Leases

As of August 31, 2019, Up2Us has leases for rental of office spaces in several locations, including, Boston, MA, California, Chicago, IL, Florida, Louisiana, Pennsylvania, Seattle, WA, and Washington, DC. The leases expire at various times through 2020. Rent expense including in-kind, was \$363,027 and \$289,163 for the years ended August 31, 2019 and 2018.

Up2Us, Inc.

Notes to Financial Statements August 31, 2019

8. Liquidity and Availability of Financial Assets

The following reflects Up2Us's financial assets as of August 31, 2019 and 2018, reduced by the amounts not available for general use within one year of that date because of donor-advised or contractual restrictions.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 26,274	\$ 20,151
Government grants receivable	169,658	333,434
Contracts receivable, net	265,485	880,288
Contributions receivable	<u>129,174</u>	<u>-</u>
Financial Assets at Year End	590,591	1,233,873
Less amount unavailable for general expenditures:		
Amounts restricted by donors	<u>(1,855,551)</u>	<u>(2,120,756)</u>
Financial Assets at Year-end Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ (1,264,960)</u>	<u>\$ (886,883)</u>

Operations of Up2Us are funded primarily by government grants, contributions, and program service fees. Proactive budgeting and cash management is utilized to ensure availability of funds. Subsequent to year-end, Up2Us received a \$925,500 loan through the Small Business Administration related to the Paycheck Protection Program as described in Note 11.

9. Concentration of Revenue and Receivables

For the year ended August 31, 2019, two private donors comprised 58% and 19% of Up2Us's total contributions receivable. For the year ended August 31, 2018, one private donor comprised 12% of Up2Us's total revenue and support.

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

Up2Us has taken several actions to mitigate the financial stress caused by the unexpected reduction of foundational revenue from two significant donors. One such measure is the continuation of the procurement of multi-year grants such as a newly awarded grant, that will provide \$300,000 per year over the next three years to train and place 150 female coaches. Another such measure was the reduction of the overall coach force enrollment from 400 to 322 resulting in over \$1.4 million in savings when compared to the previous year. However, due to the strategic restructuring and placement of both staff and coaches, Up2Us was still able to serve over eighty thousand youth, a 6% increase from the prior year. Additionally, management's aggressive reduction of non personnel expenses was able to further temper the effect of the reduced revenue. Examples of these cost saving initiatives include changing health insurance carriers and the reduction of travel expenses. The resulting reduction of non personnel expenses total over \$1 million in savings. These newly implemented cost saving measures coupled with the restructuring of staff has enabled the organization to maintain its programmatic integrity while simultaneously building a foundation of financial efficiency for the future.

Up2Us, Inc.

Notes to Financial Statements
August 31, 2019

11. Subsequent Events

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease (“COVID-19”) as a pandemic. Management expects Up2Us’s operations in all locations to be affected as the virus continues to proliferate. Up2Us has adjusted certain aspects of its operations to protect its employees and resource users. Management will continue to monitor the situation closely and it is possible that Up2Us will need to implement further measures. In light of the uncertainty as to the severity and duration of the pandemic, the impact on Up2Us’s revenue, profitability, and financial position is uncertain at this time.

On April 21, 2020, Up2Us received a \$925,500 loan through the Small Business Administration related to the Paycheck Protection Program at a fixed interest rate of 1%. No payments are due on this loan for 6 months from the date of first disbursement and Up2Us may apply for forgiveness of this loan in accordance with the requirements of the Paycheck Protection Program, including the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

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Up2Us, Inc.

Uniform Guidance Schedules and Reports

August 31, 2019

Up2Us, Inc.

Schedule of Expenditures of Federal Awards
Year Ended August 31, 2019

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		\$ -	\$ 1,234,464
Pass-through California Volunteers				
AmeriCorps	94.006	17AFHY24-F182	-	188,013
Pass-through California Volunteers				
AmeriCorps	94.006	17AFHY24-F182	-	4,451
Pass-through Volunteer Louisiana				
AmeriCorps	94.006	15ACHLA0010005	-	100,808
Pass-through Volunteer Florida				
AmeriCorps	94.006	15ADHFL0010031	-	108,155
Pass-through Serve Illinois				
AmeriCorps	94.006	97380022G	-	133,457
Pass-through PennServe				
AmeriCorps	94.006	410008057	-	89,645
Pass-through Serve Washington				
AmeriCorps	94.006	17AFHWA0010010	-	6,015
Total AmeriCorps			-	1,865,008
Direct Programs				
Volunteers in Service to America	94.013		-	14,661
Total Corporation for National and Community Service			-	1,879,669
Department of Justice				
Direct Programs				
Juvenile Mentoring Program	16.726		-	473,697
Total Department of Justice			-	473,697
Total Expenditures of Federal Awards			\$ -	\$ 2,353,366

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, 2019

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, 2019. 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. **Nonmonetary Assistance**

Nonmonetary assistance is reported in the Schedule based on the amount disbursed or received. For the year ended August 31, 2019, the Organization received no nonmonetary assistance.

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, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 7, 2020.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

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 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 7, 2020

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards 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, 2019. 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.

Opinion on Each Major Federal Program

In our opinion, Up2Us, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

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 of this section 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.

Report on Schedule of Expenditure of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended August 31, 2019, and have issued our report thereon dated August 7, 2020, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

PKF O'Connor Davies, LLP

November 30, 2020

Up2Us, Inc.

Schedule of Findings and Questioned Costs
Year Ended August 31, 2019

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: Unmodified

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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

2019-001 Reconciliation of General Ledger Accounts and Audit Readiness (*repeat comment*)

Criteria

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

Condition

Certain account schedules were not analyzed and prepared until several weeks after the commencement of audit fieldwork. Specifically, contracts receivables, accrued expenses, deferred revenue, and donor restricted net assets were not audit-ready. 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 did not perform a timely analysis of general ledger accounts.

Up2Us, Inc.

Schedule of Findings and Questioned Costs *(continued)*
Year Ended August 31, 2019

Section II – Financial Statement Findings (continued)

2019-001 Reconciliation of General Ledger Accounts and Audit Readiness (repeat comment) (continued)

Effect

Account balances in the general ledger were not accurately stated and required adjustments.

Recommendation

We recommend that the Organization analyze these accounts on at least a quarterly basis to ensure that all balances in these accounts are updated, reconciled, and reviewed. Analysis of these accounts will ensure that the Organization's financial position is accurately reflected.

Views of Responsible Officials

See Corrective Action Plan

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Findings

2018-001 – Strengthen Control Procedures for Recording Contributions

Criteria or Specific Requirement

GAAP requires an organization to record contributions based upon the explicit instructions of the donor.

Current Status

Condition has been corrected.

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

Criteria or Specific Requirement

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

Current Status

Condition still exists, see finding 2019-001.

Up2Us, Inc.

Schedule of Findings and Questioned Costs *(continued)*
Year Ended August 31, 2019

Section IV – Prior Year Findings (continued)

2018-003 – Strengthen Control Procedures for Related Party Transactions

Criteria or Specific Requirement

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.

Current Status

Condition has been corrected.

2018-004 – Timely Submission of Single Audit

Criteria or Specific Requirement

Single Audit information packages 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.

Current Status

Condition has been corrected.

CORRECTIVE ACTION PLAN



Section II – Financial Statement Findings

2019-001 Reconciliation of General Ledger Accounts and Audit Readiness (*repeat comment*)

Criteria

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

Condition

Certain account schedules were not analyzed and prepared until several weeks after the commencement of audit fieldwork. Specifically, contracts receivables, accrued expenses, deferred revenue, and donor restricted net assets were not audit-ready. 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 did not perform a timely analysis of general ledger accounts.

Effect

Account balances in the general ledger were not accurately stated and required adjustments.

Recommendation

We recommend that the Organization analyze these accounts on at least a quarterly basis to ensure that all balances in these accounts are updated, reconciled, and reviewed. Analysis of these accounts will ensure that the Organization's financial position is accurately reflected.

Views of Responsible Officials and Corrective Action Plan

Management agrees with this finding. As of July 2020, a Director of Finance was hired to serve as lead in the finance department. A monthly close process has been implemented which includes the review and reconciliation of the trial balance. These amendments to both the staff and process will ensure the accurate statement of accounts and minimize adjustments made during the audit.

Paul Caccamo

Paul Caccamo (Nov 25, 2020 13:20 EST)

Paul Caccamo, Chief Executive Officer


Sherah Alaimo, Chief Operating Officer