

**Up2Us, Inc.**

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

August 31, 2020

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## Independent Auditors' Report

### Board of Directors Up2Us, Inc.

We have audited the accompanying financial statements of Up2Us, Inc. ("Up2Us"), which comprise the statement of financial position as of August 31, 2020, 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. 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, 2020, 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.

***Emphasis of Matter***

We draw attention to Note 10 of the financial statements, which describes Up2Us's discussion of the current events, conditions and plans to improve the results of operation, 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 Up2Us's August 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019 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 June 7, 2021 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*

June 7, 2021

## Up2Us, Inc.

Statement of Financial Position  
August 31, 2020  
(with comparative amounts at August 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 803,961	\$ 26,274
Government grants receivable, net	482,226	169,658
Contracts receivable, net	288,417	265,485
Contributions receivable, net	27,040	129,174
Prepaid expenses	2,900	6,624
Security deposits	<u>9,403</u>	<u>8,503</u>
	<u>\$ 1,613,947</u>	<u>\$ 605,718</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 717,800	\$ 309,047
Line of credit	-	98,159
Loan payable	50,000	85,000
Paycheck Protection Program loan payable	925,500	-
Deferred revenue	66,525	227,196
Government grant advances	<u>-</u>	<u>27,162</u>
Total Liabilities	<u>1,759,825</u>	<u>746,564</u>
Net Assets (Deficit)		
Without donor restrictions	(1,854,773)	(1,996,397)
With donor restrictions	<u>1,708,895</u>	<u>1,855,551</u>
Total Net Assets (Deficit)	<u>(145,878)</u>	<u>(140,846)</u>
	<u>\$ 1,613,947</u>	<u>\$ 605,718</u>

See notes to financials statements

## Up2Us, Inc.

### Statement of Activities Year Ended August 31, 2020 (with summarized totals for the year ended August 31, 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 252,247	\$ 1,603,870	\$ 1,856,117	\$ 1,726,142
Government grants	3,357,496	-	3,357,496	2,398,010
Contract income	1,441,885	-	1,441,885	1,914,594
Donated services	254,767	-	254,767	265,591
Consulting income	109,165	-	109,165	75,410
Special event revenue (net of costs of direct benefits to donors of \$0 and \$47,377)	765	-	765	443,976
Other income	33,087	-	33,087	57,007
Net assets released from restrictions	<u>1,750,526</u>	<u>(1,750,526)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>7,199,938</u>	<u>(146,656)</u>	<u>7,053,282</u>	<u>6,880,730</u>
<b>EXPENSES</b>				
Program services	5,871,328	-	5,871,328	5,898,331
Management and general	1,065,444	-	1,065,444	1,467,134
Fundraising	<u>121,542</u>	<u>-</u>	<u>121,542</u>	<u>226,969</u>
Total Expenses	<u>7,058,314</u>	<u>-</u>	<u>7,058,314</u>	<u>7,592,434</u>
Change in Net Assets (Deficit)	141,624	(146,656)	(5,032)	(711,704)
<b>NET ASSETS (DEFICIT)</b>				
Beginning of year	<u>(1,996,397)</u>	<u>1,855,551</u>	<u>(140,846)</u>	<u>570,858</u>
End of year	<u>\$ (1,854,773)</u>	<u>\$ 1,708,895</u>	<u>\$ (145,878)</u>	<u>\$ (140,846)</u>

See notes to financial statements

## Up2Us, Inc.

### Statement of Functional Expenses Year Ended August 31, 2020 (with summarized totals for the year ended August 31, 2019)

	2020			2019 Total	
	Program Services	Management and General	Fundraising		Total
Salaries	\$ 1,665,062	\$ 518,885	\$ 28,088	\$ 2,212,035	\$ 2,395,122
Payroll taxes and employee benefits	604,453	96,641	8,179	709,273	727,848
Coaches'/Vistas' living allowance	2,205,151	-	-	2,205,151	2,419,051
Total Personnel	<u>4,474,666</u>	<u>615,526</u>	<u>36,267</u>	<u>5,126,459</u>	<u>5,542,021</u>
Program expenses (including in-kind equipment of \$75,000 and \$75,000)	151,920	-	54	151,974	114,436
Grants to sub-grantees	281,703	-	-	281,703	237,954
Rent (including in-kind of \$95,054 and \$86,400)	141,162	76,000	-	217,162	363,027
Telephone and utilities	24,233	10,066	-	34,299	42,318
Repairs and maintenance	140	8,733	-	8,873	8,671
Equipment rental	961	2,047	-	3,008	2,284
Professional fees (including in-kind legal fees of \$84,713 and \$104,191)	542,868	249,233	82,648	874,749	678,114
Insurance	-	20,593	-	20,593	14,581
Publications, office equipment and supplies	9,523	46,973	69	56,565	47,567
Dues and subscriptions	16,263	6,376	199	22,838	17,353
Travel and conferences	132,491	-	2,075	134,566	278,886
Licenses and fees	11,855	29,897	230	41,982	30,901
Stipend	71,693	-	-	71,693	38,665
Bad debt	8,641	-	-	8,641	166,441
Miscellaneous	3,209	-	-	3,209	56,592
	<u>5,871,328</u>	<u>1,065,444</u>	<u>121,542</u>	<u>7,058,314</u>	<u>7,639,811</u>
Less direct benefits to donors	-	-	-	-	(47,377)
Total Expenses Reported by Function on Statement of Activities	<u>\$ 5,871,328</u>	<u>\$ 1,065,444</u>	<u>\$ 121,542</u>	<u>\$ 7,058,314</u>	<u>\$ 7,592,434</u>

See notes to financials statements

## Up2Us, Inc.

Statement of Cash Flows  
Year Ended August 31, 2020  
(with comparative amounts for the year ended August 31, 2019)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets (deficit)	\$ (5,032)	\$ (711,704)
Adjustments to reconcile change in net assets (deficit) to net cash from operating activities		
Bad debt expense	8,641	166,441
Changes in assets and liabilities		
Government grants receivable	(312,568)	163,776
Contracts receivable	(31,573)	448,362
Contributions receivable	102,134	(129,174)
Prepaid expenses	3,724	(3,368)
Security deposits	(900)	14
Accounts payable and accrued expenses	408,753	(55,399)
Deferred revenue	(160,671)	(55,984)
Government grant advances	(27,162)	-
Net Cash From Operating Activities	(14,654)	(177,036)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	70,621	418,200
Repayments of line of credit	(168,780)	(320,041)
Proceeds from Paycheck Protection Program loan	925,500	-
Proceeds from loan payable	175,000	100,000
Repayments of loans payable	(210,000)	(15,000)
Net Cash From Financing Activities	792,341	183,159
Net Change in Cash	777,687	6,123
<b>CASH</b>		
Beginning of year	26,274	20,151
End of year	\$ 803,961	\$ 26,274
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 22,187	\$ 23,697
Taxes paid	190	105

See notes to financials statements

## Up2Us, Inc.

Notes to Financial Statements  
August 31, 2020

### 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.

#### ***New Accounting Pronouncements***

##### *Revenue from Contracts with Customers*

Effective September 1, 2019, Up2Us adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, as amended. The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions are recognized, as they are specifically scoped out of the new guidance.

The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework.

## Up2Us, Inc.

Notes to Financial Statements  
August 31, 2020

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

#### ***New Accounting Pronouncements (continued)***

##### *Revenue from Contracts with Customers (continued)*

Analysis of various provisions of this standard resulted in no changes in the way Up2Us recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

The new guidance requires Up2Us to not recognize revenue until it is probable of collection and management has concluded to date that all revenue recognized is probable of collection.

##### *Recognition of Contributions*

Effective September 1, 2019, Up2Us adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as non-exchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way Up2Us recognizes grants and contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

#### ***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.

## Up2Us, Inc.

Notes to Financial Statements  
August 31, 2020

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

#### ***Contract Income and Contracts Receivable (continued)***

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, 2020, 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.

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, 2020, all outstanding contributions receivable 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 and contribution payments of \$107,658 and \$105,182 as of August 31, 2020 and 2019.

#### ***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.

## Up2Us, Inc.

Notes to Financial Statements  
August 31, 2020

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

#### ***Donated Services and Rent (continued)***

The following schedule reflects the details of the donated goods and services received for the years ended August 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Legal services	\$ 84,713	\$ 104,191
Rent	95,054	86,400
Program uniforms	<u>75,000</u>	<u>75,000</u>
	<u>\$ 254,767</u>	<u>\$ 265,591</u>

#### ***Functional Allocation of Expenses***

The costs of providing various programs, 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, telephone and utilities, 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.

#### ***Summarized Comparative Financial Statements***

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Such information should be read in conjunction with the Up2Us's 2019 financial statements, from which the summarized comparative information is 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, 2017.

#### ***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 June 7, 2021.

## Up2Us, Inc.

### Notes to Financial Statements August 31, 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, 2020 and 2019:

Purpose/Restriction	Balance at September 1, 2019	Additions	Releases	Balance at August 31, 2020
Member services	\$ 699,113	\$ 1,183,870	\$ (1,103,752)	\$ 779,231
Coach Across America	997,938	400,000	(543,183)	854,755
Gala	110,000	20,000	(90,301)	39,699
Other	48,500	-	(13,290)	35,210
Total	<u>\$ 1,855,551</u>	<u>\$ 1,603,870</u>	<u>\$ (1,750,526)</u>	<u>\$ 1,708,895</u>

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>

#### 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. Up2Us drew down \$70,621 on this line of credit and repaid \$168,780 during the year ended August 31, 2020. As of August 31, 2020, Up2Us had no outstanding balance. Total interest expense amounted to \$22,187 and \$23,697 for the years ended August 31, 2020 and 2019.

##### ***Related Party Loan***

In October 2019, Up2Us entered into an interest-free loan of \$100,000 to be paid back over two years with family members of a key member of management (the “related party”) as a result of the financial condition of Up2Us. From time to time, Up2Us receives loans from multiple related parties. As of August 31, 2020, Up2Us had an outstanding loan payable balance of \$50,000 to the related party.

## Up2Us, Inc.

Notes to Financial Statements  
August 31, 2020

### 5. Debt and Related Party Transactions *(continued)*

#### ***Paycheck Protection Program Loan***

On April 23, 2020, Up2Us received loan proceeds in the amount of \$925,500 under the Paycheck Protection Program (the “PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the “Covered Period”). The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the loan. Loan payments of principal or interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration (“SBA”). If Up2Us does not apply for forgiveness, payments begin approximately 6 months after the loan date.

The approximate annual maturity of the PPP loan over the next two years are payable as follows (provided the PPP loan is not forgiven) for the fiscal years ending August 31:

2021	\$ 514,167
2022	<u>411,333</u>
	<u>\$ 925,500</u>

Up2Us believes it has used all proceeds received in accordance with regulations established by the PPP. Management believes its use of the proceeds, including amounts expended through August 31, 2020, will be forgiven. The entire amount received under the PPP is reported as a loan on the statement of financial position at August 31, 2020. On April 16, 2021, Up2Us received notification of forgiveness of the entire PPP loan amount.

### 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. No such audits are in process.

## Up2Us, Inc.

### Notes to Financial Statements August 31, 2020

#### 7. Commitments and Contingencies *(continued)*

##### **Leases**

As of August 31, 2020, Up2Us has leases for rental of office spaces in several locations, including, Los Angeles, CA, Chicago, IL, Miami, FL, New Orleans, LA and Philadelphia, PA. The leases expire at various times through 2021. Rent expense including in-kind, was \$217,162 and \$363,027 for the years ended August 31, 2020 and 2019. At August 31, 2020, future minimum lease payments owed in 2021 under these agreements were \$9,285.

#### 8. Liquidity and Availability of Financial Assets

The following reflects Up2Us's financial assets as of August 31, 2020 and 2019, reduced by the amounts not available for general use within one year of that date because of donor-advised or contractual restrictions.

	<u>2020</u>	<u>2019</u>
Cash	\$ 803,961	\$ 26,274
Government grants receivable	482,226	169,658
Contracts receivable, net	288,417	265,485
Contributions receivable	<u>27,040</u>	<u>129,174</u>
Financial Assets at Year End	1,601,644	590,591
Less amount unavailable for general expenditures:		
Amounts restricted by donors	<u>(1,708,895)</u>	<u>(1,855,551)</u>
Financial Assets at Year-end Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ (107,251)</u>	<u>\$ (1,264,960)</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. Up2Us received a \$925,500 loan through the Small Business Administration related to the Paycheck Protection Program as described in Note 5.

#### 9. Concentration of Revenue and Receivables

For the years ended August 31, 2020 and 2019, government revenue comprised 48% and 35% of total revenue. For the years ended August 31, 2020 and 2019, contribution revenue comprised 26% and 25% of total revenue. For the years ended August 31, 2020 and 2019, contract revenue comprised 20% and 28% of total revenue. At August 31, 2020, grants from one agency comprised 27% of Up2Us's total receivables. At August 31, 2019, grants from one agency comprised 10% of Up2Us's total receivables. At August 31, 2020, four private donors comprised 49%, 20%, 13% and 13% of Up2Us's total contributions receivable. At August 31, 2019, two private donors comprised 58% and 19% of Up2Us's total contributions receivable.

## Up2Us, Inc.

Notes to Financial Statements  
August 31, 2020

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

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventive or protective measures including extended closures of in-person programming.

On April 23, 2020, Up2Us received a Paycheck Protection Program loan in the amount of \$925,500 to mitigate the effects of the reduction of contract payments received from its partnering organizations and the general under enrollment of coach service members. Up2Us applied for loan forgiveness on April 5, 2021 and received forgiveness for the full loan amount from the U.S. Small Business Administration on April 16, 2021.

In light of the pandemic, Up2Us altered many of its in-person operations to remote, which has resulted in economic efficiencies resulting in expense savings of \$612,746. Up2Us plans to keep many of these efficiencies to maintain the lower cost of operations. In addition to the expense savings, Up2Us has procured new funding in the amount of \$750,000 in support of our operations. Up2Us's Vista Program is also set to expand, which will result in expanded programming and contracted revenues.

Understanding the negative financial impact that these extended closures would cause, the AmeriCorps Corporation for National and Community Service waived the financial match requirement which has helped to decrease the total expenditures needed to run the program. Subsequent to year end, the AmeriCorps Corporation for National and Community Service extended the waiver of the financial match requirement through 2021. Additionally, Up2Us and many of its partnering organizations continued programming remotely and, where available, shifted responsibilities to aid in COVID-19 relief operations.

### **11. Risks and Uncertainties**

The ongoing coronavirus pandemic has resulted in substantial volatility in the global economy. The pandemic may potentially have an adverse effect on the results of operations. While management has implemented measures to mitigate the impact of the pandemic, including obtaining a PPP loan under the CARES Act as detailed in Note 5, the extent to which Up2Us's operations are impacted will depend on future developments, which are highly uncertain and cannot be predicted. As a result, management cannot reasonably estimate the overall impact of the coronavirus pandemic to Up2Us's future results of operations, cash flows, or financial condition.

\* \* \* \* \*

**Up2Us, Inc.**

Uniform Guidance Schedules and Reports

August 31, 2020

**Up2Us, Inc.**

**Schedule of Expenditures of Federal Awards  
Year Ended August 31, 2020**

Federal Grantor/Pass-Through Grantor/ Program Title 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		\$ -	\$ 1,639,300
AmeriCorps - Training and Technical Assistance	94.006		-	7,183
Pass-through California Volunteers				
AmeriCorps	94.006	18ACHY23-C158	-	4,349
Pass-through California Volunteers				
AmeriCorps	94.006	17AFHY26-F192	-	428,145
Pass-through Volunteer Louisiana				
AmeriCorps	94.006	15ACHLA0010005	-	145,888
Pass-through Volunteer Louisiana				
AmeriCorps	94.006	18ACHLA0010003	-	7,034
Pass-through Serve Illinois				
AmeriCorps	94.006	97380022G	-	12,276
Pass-through Serve Illinois				
AmeriCorps	94.006	07380022H	-	142,459
Pass-through Serve Illinois				
AmeriCorps	94.006	17380022I	-	2,029
Pass-through PennServe				
AmeriCorps	94.006	18ACHPA0010004	-	143,170
Pass-through Serve Washington				
AmeriCorps	94.006	17AFHWA0010010	-	114,609
Pass-through Serve Washington				
AmeriCorps	94.006	17AFHWA0010011	-	4,947
Total AmeriCorps			-	2,651,389
Direct Programs				
Volunteers in Service to America	94.013		-	15,531
Total Corporation for National and Community Service			-	2,666,920
U.S. Department of Treasury				
Direct Programs				
State of Tennessee's Coronavirus Relief Fund	21.019		-	53,141
U.S. Department of Health and Human Services				
Direct Programs				
Community Programs to Improve Minority Health Grant Program	93.137		-	322,478
U.S. Department of Justice				
Direct Programs				
Juvenile Mentoring Program	16.726		281,703	297,783
Total Expenditures of Federal Awards			\$ 281,703	\$ 3,340,322

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, 2020

#### 1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Up2Us, Inc. ("Up2Us") under programs of the federal government for the year ended August 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Up2Us, it is not intended to and does not present the financial position, changes in net assets or cash flows of Up2Us.

#### 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, 2020, Up2Us received no nonmonetary assistance.

#### 4. **Indirect Cost Rate**

Up2Us 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. ("Up2Us"), which comprise the statement of financial position as of August 31, 2020, 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 June 7, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Up2Us's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Up2Us's internal control. Accordingly, we do not express an opinion on the effectiveness of Up2Us'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Up2Us'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

June 7, 2021

**Report on Compliance for Each Major Federal Program and 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 ("Up2Us") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Up2Us's major federal programs for the year ended August 31, 2020. Up2Us'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, and 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 Up2Us'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* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Up2Us'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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Up2Us'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, 2020.

**Report on Internal Control Over Compliance**

Management of Up2Us is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Up2Us'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 Up2Us'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 Up2Us as of and for the year ended August 31, 2020, and have issued our report thereon dated June 7, 2021, 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*

June 7, 2021

**Up2Us, Inc.**

Schedule of Findings and Questioned Costs  
Year Ended August 31, 2020

**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  X  no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes  X  none reported

Noncompliance material to the financial statements noted?

\_\_\_\_\_ yes  X  no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ yes  X  no

Significant deficiency(ies) identified?

\_\_\_\_\_ yes  X  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  X  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  X  no

**Section II – Financial Statement Findings**

During our audit, we noted no material findings for the year ended August 31, 2020.

**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**

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

**Criteria or Specific Requirement**

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

**Current Status**

Condition has been corrected.