

UPCHIEVE, INC.

FINANCIAL STATEMENTS

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
UPchieve, Inc.
Brooklyn, New York

Opinion

We have audited the financial statements of UPchieve, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UPchieve, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of UPchieve, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about UPchieve, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

- Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 UPchieve, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about UPchieve, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Wegner CPAs LLP

Wegner CPAs, LLP
New York, New York
May 23, 2022

UPCHIEVE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---------------------|-------------------|
| ASSETS | | |
| Cash | \$ 2,474,439 | \$ 534,336 |
| Unconditional promises to give | 298,810 | 243,518 |
| Prepaid expenses | 20,267 | 1,961 |
| Software and mobile application, net | 274,067 | 123,237 |
| Total assets | \$ 3,067,583 | \$ 903,052 |
| LIABILITIES | | |
| Accrued expenses | \$ 35,431 | \$ 247 |
| Accrued payroll | 3,338 | 1,724 |
| Deferred revenue | 15,000 | - |
| Paycheck Protection Program loan | 77,579 | 41,200 |
| Total liabilities | 131,348 | 43,171 |
| NET ASSETS | | |
| Without donor restrictions | 2,263,335 | 689,881 |
| With donor restrictions | 672,900 | 170,000 |
| Total net assets | 2,936,235 | 859,881 |
| Total liabilities and net assets | \$ 3,067,583 | \$ 903,052 |

See accompany notes.

UPCHIEVE, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|---------------------|-------------------|
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| REVENUES | | |
| Grants | \$ 926,527 | \$ 102,500 |
| Contributions | 1,014,283 | 488,905 |
| Paycheck Protection Program | 41,200 | - |
| In-kind contributions | 77,500 | - |
| Program service revenue | 5,000 | - |
| Net assets released from restrictions | | |
| Satisfaction of purpose restrictions | 322,100 | 216,459 |
| Total revenues | 2,386,610 | 807,864 |
| EXPENSES | | |
| Program services | 708,172 | 289,114 |
| Management and general | 65,210 | 24,781 |
| Fundraising | 39,774 | 31,211 |
| Total expenses | 813,156 | 345,106 |
| Change in net assets without donor restrictions | 1,573,454 | 462,758 |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | | |
| Contributions | 825,000 | 200,000 |
| Net assets released from restrictions | (322,100) | (216,459) |
| Change in net assets with donor restrictions | 502,900 | (16,459) |
| Change in net assets | 2,076,354 | 446,299 |
| Net assets at beginning of year | 859,881 | 413,582 |
| Net assets at end of year | <u>\$ 2,936,235</u> | <u>\$ 859,881</u> |

See accompany notes.

UPCHIEVE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2021 and 2020

| | Program Services | Management and General | Fundraising | 2021 Total |
|-----------------------|---------------------|---------------------------|------------------|-------------------|
| Personnel | \$ 511,081 | \$ 35,214 | \$ 38,189 | \$ 584,484 |
| Professional fees | 87,750 | 25,923 | - | 113,673 |
| Amortization | 61,921 | - | - | 61,921 |
| Office supplies | 41,267 | 1,457 | 1,349 | 44,073 |
| Insurance | 3,229 | 1,861 | - | 5,090 |
| Travel | 2,924 | - | 236 | 3,160 |
| Interest | - | 755 | - | 755 |
| Total expenses | \$ 708,172 | \$ 65,210 | \$ 39,774 | \$ 813,156 |
| | Program Services | Management and General | Fundraising | 2020 Total |
| Personnel | \$ 249,010 | \$ 8,511 | \$ 30,513 | \$ 288,034 |
| Professional fees | - | 15,467 | - | 15,467 |
| Amortization | 21,835 | - | - | 21,835 |
| Office supplies | 11,016 | 474 | 261 | 11,751 |
| Insurance | 2,877 | 53 | 209 | 3,139 |
| Travel | 2,795 | - | 113 | 2,908 |
| Occupancy | 1,581 | 29 | 115 | 1,725 |
| Interest | - | 247 | - | 247 |
| Total expenses | \$ 289,114 | \$ 24,781 | \$ 31,211 | \$ 345,106 |

See accompany notes.

UPCHIEVE, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 2,076,354 | \$ 446,299 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Amortization | 61,921 | 21,835 |
| Forgiveness of Paycheck Protection Program loan | (41,200) | - |
| Increase in assets | | |
| Unconditional promises to give | (55,292) | (146,850) |
| Prepaid expenses | (18,306) | (1,961) |
| Increase (decrease) in liabilities | | |
| Accrued expenses | 35,184 | (6,716) |
| Accrued payroll | 1,614 | 1,724 |
| Deferred revenue | 15,000 | - |
| Net cash flows from operating activities | 2,075,275 | 314,331 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capitalization of software and mobile application | (212,751) | (112,765) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Paycheck Protection Program loan | 77,579 | 41,200 |
| Net change in cash | 1,940,103 | 242,766 |
| Cash at beginning of year | 534,336 | 291,570 |
| Cash at end of year | <u>\$ 2,474,439</u> | <u>\$ 534,336</u> |
| SUPPLEMENTAL DISCLOSURES | | |
| Noncash financing transactions | | |
| Paycheck Protection Program loan forgiveness | \$ 41,200 | \$ - |

See accompany notes.

UPCHIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

UPchieve, Inc. (Organization) is a not-for-profit 501(c)(3) organization whose mission is to connect low-income youth with live academic support to help them on their path to achieving upward mobility. The Organization is funded through grants and contributions from individuals, corporations, foundations, and other nonprofits organizations.

Promises to Give

Conditional promises to give are not recognized in the financial statements until conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows.

Grants and Contributions

Grants and contributions are reported as increases in net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the year ended December 31, 2021, the Organization received \$77,500 of donated consulting services and is recorded as program services on the accompanying statements of functional expenses.

Program Service Revenue

The Organization partners with school districts to provide professional development sessions and delivers monthly reports on students' usage within the Organization's software application for tutoring services. Revenue is recognized over time within the designated contract period.

Software

All software research and development costs along with any maintenance and customer support are expensed as incurred. All software production costs including any indirect costs are recorded at cost and amortized straight-line over the remaining estimated economic life of the software.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

UPCHIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimates of time and effort.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Date of Management’s Review

Management has evaluated subsequent events through May 23, 2022 the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances at one financial institution located in New York, New York. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization’s uninsured cash balances totaled approximately \$2,180,000 and \$283,000 at December 31, 2021 and 2020.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at December 31, 2021 and 2020 consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|-------------------|-------------------|
| Receivable in less than one year | \$ 168,810 | \$ 228,518 |
| Receivable in one to five years | <u>130,000</u> | <u>15,000</u> |
| Unconditional promises to give | <u>\$ 298,810</u> | <u>\$ 243,518</u> |

UPCHIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 and 2020 are restricted for the following purposes and periods:

| | 2021 | 2020 |
|------------------------------------|------------|------------|
| Salaries and engineer payments | \$ 377,900 | \$ 150,000 |
| Hiring of a product manager | 50,000 | - |
| Programmatic activities | 15,000 | 20,000 |
| Subsequent years' activities | 230,000 | - |
| Net assets with donor restrictions | \$ 672,900 | \$ 170,000 |

NOTE 5 – PAYCHECK PROTECTION PROGRAM LOAN

On May 27, 2020, the Organization received a \$41,200 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act (CARES) and administered by the U.S. Small Business Administration (SBA). The loan accrues interest at 1%, but payments are deferred until a determination of the amount of forgiveness is made. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by the Organization during the covered period. Eligible expenses include payroll costs, rent, and utilities. Any unforgiven portion is payable over two years. Management applied for and received total loan forgiveness and is recorded as Paycheck Protection Program revenue on the accompanying statements of activities.

On February 13, 2021, the Organization received a \$77,579 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loan accrues interest at 1%, but payments are deferred until a determination of the amount of forgiveness is made. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by the Organization during the covered period. Eligible expenses include payroll costs, rent, and utilities. Any unforgiven portion is payable over two years. The Organization must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Organization's good-faith certification concerning the necessity of its loan request, whether the Organization calculated the loan amount correctly, whether the Organization used loan proceeds for the allowable uses specified in the CARES Act, and whether the Organization is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Organization was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance. Management applied for and received total loan forgiveness subsequent to year-end.

UPCHIEVE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 6 – SOFTWARE

Software at December 31, 2021 and 2020 consisted of the following:

| | 2021 | 2020 |
|---------------------------------|------------|------------|
| Software and mobile application | \$ 359,723 | \$ 146,972 |
| Less accumulated amortization | (85,656) | (23,735) |
| Software, net | \$ 274,067 | \$ 123,237 |

NOTE 7 – LIQUIDITY AND AVAILABILITY

At December 31, 2021 and 2020, the Organization had financial assets available within one year of the dates of the statements of financial position to meet cash needs for general expenditures consisting of the following:

| | 2021 | 2020 |
|--|--------------|------------|
| Cash | \$ 2,474,439 | \$ 534,336 |
| Unconditional promises to give | 298,810 | 243,518 |
| Total financial assets at year-end | 2,773,249 | 777,854 |
| Unconditional promises to give scheduled to be collected in more than one year | (120,000) | - |
| Less those unavailable for general expenditures within one year, due to: | | |
| Donor-imposed purpose restrictions | (442,900) | (170,000) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 2,210,349 | \$ 607,854 |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations that come due.