



UPWARD UNLIMITED AND SUBSIDIARIES

Consolidated Financial Statements
With Independent Auditors' Report

September 30, 2018 and 2017

UPWARD UNLIMITED AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Upward Unlimited and Subsidiaries
Spartanburg, South Carolina

We have audited the accompanying consolidated financial statements of Upward Unlimited and Subsidiaries, which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Upward Unlimited and Subsidiaries
Spartanburg, South Carolina

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Upward Unlimited and Subsidiaries as of September 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Columbia, South Carolina
January 9, 2019

UPWARD UNLIMITED AND SUBSIDIARIES

Consolidated Statements of Financial Position

	Years Ended September 30,	
	2018	2017
ASSETS:		
Cash and cash equivalents	\$ 3,130,191	\$ 9,537,331
Cash held for church partners	729,702	668,748
Investments	8,020,414	-
Accounts and other receivable–net	1,050,119	1,051,673
Prepaid expenses and other assets	140,442	323,425
Inventory–net	6,789,008	8,021,138
Restricted cash (Note 6)	857,729	571,701
Note receivable	10,203,000	10,203,000
	30,920,605	30,377,016
Property and equipment–net	28,024,670	31,226,590
	\$ 58,945,275	\$ 61,603,606
Total Assets	\$ 58,945,275	\$ 61,603,606
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 215,499	\$ 302,121
Accrued expenses	1,273,786	1,717,038
Accrued payroll and benefits payable	512,179	323,926
Payable to church partners	729,702	668,748
Deferred revenue	326,286	312,511
Notes payable–net	16,219,555	16,190,650
	19,277,007	19,514,994
Net assets:		
Unrestricted:		
Undesignated	26,192,714	25,460,240
Equity in property and equipment	13,377,158	16,592,133
	39,569,872	42,052,373
Temporarily restricted	98,396	36,239
	39,668,268	42,088,612
Total Liabilities and Net Assets	\$ 58,945,275	\$ 61,603,606

See notes to consolidated financial statements

UPWARD UNLIMITED AND SUBSIDIARIES

Consolidated Statements of Activities and Changes in Net Assets

	Years Ended September 30,	
	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenue and Support:		
Revenue:		
Program–net	\$ 17,378,102	\$ 19,506,876
Program support–net	3,022,377	3,318,295
Conference fee income	29,460	81,750
Interest income	381,081	386,825
Upward Star Center revenue–net	1,397,346	1,304,741
Investment income (Note 3)	20,414	-
Loss on disposal of software development	(1,703,382)	-
Other income	1,318,485	337,490
	21,843,883	24,935,977
Support:		
Contributions	134,783	68,501
Special events:		
Revenue–unrestricted	9,200	40,500
Cost of direct donor benefits	(90,256)	(281,501)
Reclassifications–net assets released from restriction by satisfaction of purpose restrictions	30,009	240,419
Total Unrestricted Revenues and Support and Reclassifications	21,927,619	25,003,896
Expenses:		
Program services	19,436,028	18,950,483
Supporting activities:		
Management and general	4,402,688	4,095,458
Fundraising	571,404	784,738
Total Expenses	24,410,120	23,830,679
Change in Unrestricted Net Assets	(2,482,501)	1,173,217

(continued)

See notes to consolidated financial statements

UPWARD UNLIMITED AND SUBSIDIARIES

Consolidated Statements of Activities and Changes in Net Assets (continued)

	Years Ended	September 30,
	2018	2017
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	91,666	100,797
Special events revenue—temporarily restricted	500	119,000
Reclassifications—net assets released from restrictions	(30,009)	(240,419)
Change in Temporarily Restricted Net Assets	<u>62,157</u>	<u>(20,622)</u>
Change in Net Assets	(2,420,344)	1,152,595
Net Assets, Beginning of Year	<u>42,088,612</u>	<u>40,936,017</u>
Net Assets, End of Year	<u>\$ 39,668,268</u>	<u>\$ 42,088,612</u>

See notes to consolidated financial statements

UPWARD UNLIMITED AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (2,420,344)	\$ 1,152,595
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,703,200	1,806,224
Amortization of debt issuance costs	28,905	28,906
Write-down of inventory	843,126	124,669
Loss on sale or disposal of equipment	1,792,564	9,475
Realized and unrealized losses on investments	123,432	-
Reinvested dividends	(143,846)	-
Changes in operating assets and liabilities:		
Accounts and other receivable	1,554	(223,338)
Inventory	389,004	378,687
Prepaid expenses and other assets	182,983	(13,499)
Accounts payable	(86,622)	(708,356)
Accrued expenses	(302,438)	(495,099)
Accrued payroll and benefits payable	188,253	21,177
Deferred revenue	13,775	(83,302)
Net Cash Provided by Operating Activities	2,313,546	1,998,139
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(8,000,000)	-
Purchases of property and equipment	(502,496)	(1,451,088)
Sinking fund payment	(286,028)	(285,898)
Proceeds from sale of equipment	67,838	34,075
Net Cash Used by Investing Activities	(8,720,686)	(1,702,911)
Change in Cash and Cash Equivalents	(6,407,140)	295,228
Cash and Cash Equivalents, Beginning of Year	9,537,331	9,242,103
Cash and Cash Equivalents, End of Year	\$ 3,130,191	\$ 9,537,331
SUPPLEMENTAL DATA:		
Cash paid for interest	\$ 504,678	\$ 496,295
Property and equipment acquired through accrued expenses	\$ -	\$ 140,814

See notes to consolidated financial statements

UPWARD UNLIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

1. NATURE OF THE ORGANIZATION:

Upward Unlimited and Subsidiaries (Upward) is the consolidated financial reporting entity for Upward Unlimited d/b/a Upward Sports (UU), Upward Enterprises d/b/a Upward Fan (UF), Upward Unlimited Foundation (Foundation), and Upward Star Center (LLC). UU was incorporated in September 1995 as a South Carolina not-for-profit corporation and is exempt from federal income taxes on related activities under section 501(c)(3) of the Internal Revenue Code (Code) and S.C. Code Section 65-226(3). UU is classified as a publicly supported organization, which is not a private foundation under section 509(a)(2) of the Code, and contributions to it are tax deductible within the limits prescribed by the Code. However, the organization is subject to federal income tax on any unrelated business taxable income.

UU operates as an organization that exists to promote the discovery of Jesus through sports. UU brings churches, Christian leaders, and the communities they serve together through the universal language of sports, strengthening young athletes by helping them grow in mind, body, and soul.

UF is a C corporation subsidiary of UU, organized in 2010 for the purpose of providing merchandise and other auxiliary products to promote its parent corporation and its programming to children and their families. In 2012, based on historical taxable income, as well as the level of future estimated taxable income, UF reserved the cumulative deferred tax asset. As of September 30, 2016, UF is inactive.

The Foundation was organized in 2011 as a subsidiary of UU. The Foundation is exempt from federal income taxes on related activities under section 501(c)(3) of the Internal Revenue Code (Code) and S.C. Code Section 65-226(3). The Foundation is classified as a supporting organization, which is not a private foundation under section 509(a)(3) of the Code, and contributions to it are tax deductible within the limits prescribed by the Code. The Foundation was organized for the purpose of accelerating the vision of Upward Unlimited by creating opportunities for individuals, institutions, corporations, and foundations to invest in the Upward Unlimited mission and vision. In order to reach four million children and one million leaders for the sole purpose of WON hearts, the Foundation specifically focuses on providing funds for Players to Play, to train and equip Leaders to Lead, and to provide safe, competitive Places to Play. As of September 30, 2018, the Foundation no longer actively solicits contributions.

The Upward Star Center was organized in 2014 as a single-member limited liability company (LLC) of UU. The LLC was organized for the purpose of housing the assets of The Star Center sports complex of Spartanburg, SC, for the benefit of the New Market Tax Credit program described in Note 4.

UPWARD UNLIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

1. NATURE OF THE ORGANIZATION, continued:

UU accomplishes its mission primarily through the 360 Progression™ which is a uniquely designed total sports experience that adapts and expands as players develop and grow in their personal athletic journey. The 360 Progression™ offers comprehensive training and instruction that increases in intensity with each athlete as they improve, enriching their physical, emotional, social, and spiritual development. The experience is carried out through program types offered by UU.

Upward Recreation Program Offering—The primary function of this offering is the initial discovery of sports (and Christ) and developing a love for the game. To support the local church’s mission by helping them engage with and serve their community through the provision of youth sports programming. Churches can participate in one or more of the following sports programs in the United States: basketball, cheerleading with basketball, soccer, flag football, cheerleading with flag football, and sports camps. UU develops and provides to churches a comprehensive sports ministry program that is ready to be implemented as one of a church’s ministry services. As part of that comprehensive sports ministry program, churches are charged a fee per participant which covers the cost of the program. The fees include: customer support, online resources for the league director, volunteers, parents, and children; league management software and support; and other program items that make the Upward Sports experience unique. These participant fees are what generate UU’s program revenue. In addition, UU generates program support revenue through other items that further enhance the game day experience.

Upward Performance Program Offering—The primary function of this offering is to give athletes who have found their love of the game a place to be challenged so that they can strive for more. Luke 2:52 reads, “and Jesus grew in wisdom and stature, and in favor with God and man.” Using this biblical truth as a guide, our team has developed and expanded our offering into the middle school and high school level of sports. Upward Stars, a new program offering introduced in 2012, is providing programming in basketball and volleyball that intentionally develops all participants mentally, athletically, spiritually, and socially.

Upward Star Center Facility Offerings—The primary function of this facility is to provide a world-class sports complex at our corporate headquarters, using the Gospel of Christ behind every sports program. The Star Center will serve as a living laboratory to test and model new sports and concepts. The Star Center is designed to develop Christian leaders, coaches, referees, and partners to deliver the ultimate sports experience, while also being a training ground to help young athletes get better.

UPWARD UNLIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the operations of UU, UF, Upward Star Center, and the Foundation, collectively referred to as Upward. All significant inter-company balances and transactions have been eliminated.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held in various checking accounts. At September 30, 2018 and 2017, Upward's cash and cash equivalents exceeded federally insured limits by \$2,579,251 and \$8,973,886, cash held for church partners by \$479,702 and \$418,748, and restricted cash by \$607,729 and \$321,701, respectively. Upward does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

CASH HELD FOR CHURCH PARTNERS

Upward receives payments on behalf of churches participating in the Upward program. A corresponding liability is recorded when the amounts are received. The balance is remitted to the churches bi-monthly.

INVESTMENTS

Investments consist of funds invested in a portfolio of municipal bonds. Investments are carried at fair value with gains and losses included in the consolidated statements of activities.

UPWARD UNLIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

ACCOUNTS AND OTHER RECEIVABLE—NET

Upward extends short-term credit to its ministry partners for participation fees and related products charged to them under the program. Accounts receivable are reported net of anticipated losses due to uncollectible accounts. Upward's policy for determining when receivables are past due or delinquent is 90 days after invoicing.

The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The amount of the allowance is based on management's evaluation of the collectability of the receivable portfolio, including the nature of the portfolio, trends in historical loss experience, specific impaired accounts, and economic conditions. Uncollectible accounts are charged against the allowance for doubtful accounts when it is determined the amounts are uncollectible. Payments received from nonaccrual receivables are credited to appropriate receivable accounts. The allowance for doubtful accounts was \$17,723 and \$6,394 at September 30, 2018 and 2017, respectively.

Other receivable consists of accrued interest of \$29,759 and \$29,759 as of September 30, 2018 and 2017, respectively, due from the note receivable described in Note 6. Upward has not established an allowance for doubtful accounts, because, based upon past experience, all amounts are collectible.

PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consists of prepaid insurance and other costs for which the benefit will be received by Upward in the near future.

INVENTORY

Inventory consists of uniforms, equipment, instructional booklets, videos/DVDs, related sundry items, and shipping supplies. Inventories are stated at the lower of cost or net realizable value, determined using the average cost method, reduced by a reserve for inventory obsolescence.

The reserve for inventory obsolescence is maintained at a level that, in management's judgment, is adequate to absorb probable inventory losses. The amount is based upon historical inventory write-down experience, specific known risks, and current and anticipated economic conditions. Evaluation of these factors involves subjective estimates that may change. Additions to the reserve are provided through a charge to inventory obsolescence expense.

LOAN COSTS

Loan costs are recorded at cost and amortized on a straight-line basis over the term of the debt (7-30 years) and are netted with notes payable in the consolidated statements of financial position.

UPWARD UNLIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost or, if donated, at market value on the date of donation. Purchases of property and equipment valued at \$1,500 or more are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	39 years
Office furniture and equipment	5-10 years
Computer equipment/software	2-5 years
Warehouse equipment	7-10 years

Maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred. Property items retired, or otherwise disposed of, are eliminated from the assets and accumulated depreciation accounts. Gains or losses from disposals are included in the consolidated statements of activities and changes in net assets.

ACCRUED BENEFITS

Upward has adopted an all-inclusive policy to provide paid time off (PTO) for both vacation time and sick leave to all eligible employees. Time earned is based on length of service with Upward. Amounts earned renew on each employee's anniversary date with a provision for limited carryover of unused days from the prior year. Upon termination of employment, eligible employees can be paid up to 80 hours of unused PTO. As of September 30, 2018 and 2017, Upward had accrued benefits of \$138,638 and \$190,290, respectively.

DEFERRED REVENUE

Deferred revenue represents awards revenue and Star Center program fees that were prepaid by customers as of September 30, 2018 and 2017. Customer have paid for a Star Center program but will not attend until after year-end; and awards have been paid for but will not be received until after year-end.

NET ASSETS

The consolidated financial statements report amounts by classification of net assets:

Unrestricted net assets are currently available at the discretion of the board for use in operations. Equity in property and equipment represents amounts invested in property and equipment net of accumulated depreciation and related debt.

Temporarily restricted net assets are subject to donor-imposed or legal stipulations that can be fulfilled by actions of Upward pursuant to those stipulations or that expire by the passage of time.

UPWARD UNLIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to Upward. Program revenue and program support revenue are reported net of sales returns of \$426,503 and \$460,384 for the years ended September 30, 2018 and 2017.

Upward reports gifts of cash and other assets as restricted support if they are received with donor stipulation that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as satisfaction or purpose or time restriction.

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities of Upward have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Upward's policy is to expense marketing/advertising costs as they are incurred. Marketing/advertising costs include the promotion of the program and recruiting of new churches. Marketing/advertising costs for the year ended September 30, 2018 and 2017 were \$70,709 and \$88,395, respectively.

SPECIAL EVENT

During the years ended September 30, 2018 and 2017, the Foundation conducted a dinner designed to inform supporters about current operations and to expose potential new donors to the Foundation. For the year ended September 30, 2018, revenue received from the dinner totaled \$9,700, including \$9,200 of unrestricted revenue and \$500 of temporarily restricted revenue, less \$90,256 in costs for the direct benefits provided. For the year ended September 30, 2017, revenue received from the dinner totaled \$159,500, including \$119,000 of unrestricted revenue and \$40,500 of temporarily restricted revenue, less \$281,501 in costs for the direct benefits provided. All costs related to publicity, travel, related salaries, and administration of the event have been included in fundraising expenses. The Foundation also received intentions to give from donors attending the dinner, which are not recorded in the consolidated financial statements as they do not meet the requirements for recognition.

RECENTLY ADOPTED ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) recently issued accounting standards updates (ASU) to the Accounting Standards Codification (ASC). ASU 2015-07 updates the *Inventory* topic of the ASC. ASU 2015-07 requires that inventory measured using first in, first out (FIFO) or average cost be measured at the lower of cost or net realizable value. Prior standards required measurement at the lower of cost or fair market value. The consolidated financial statements and disclosures reflect this update.

UPWARD UNLIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

3. INVESTMENTS:

Investments consist of funds invested in municipal bonds, totaling \$8,020,414 and \$-0- as of September 30, 2018 and 2017, respectively. Income on these investments consists of:

	Year Ended September 30,	
	2018	2017
Interest and dividends	\$ 158,055	\$ -
Unrealized losses	(123,432)	-
Investment fees	(14,209)	-
	\$ 20,414	\$ -

4. INVENTORY–NET:

Inventory–net consists of:

	September 30,	
	2018	2017
Uniforms, equipment, videos/DVDs, booklets, etc.	\$ 11,321,194	\$ 11,878,423
Reserve for inventory obsolescence	(4,532,186)	(3,857,285)
	\$ 6,789,008	\$ 8,021,138

5. PROPERTY AND EQUIPMENT–NET:

Property and equipment–net consists of:

	September 30,	
	2018	2017
Land and land improvements	\$ 15,665,272	\$ 15,665,272
Buildings	19,550,130	19,550,130
Computers and software	1,836,055	4,435,674
Vehicles	3,000	124,051
Lease improvements	101,235	96,581
Furniture, fixtures, and equipment	3,875,859	3,987,873
	41,031,551	43,859,581
Less accumulated depreciation	(13,006,881)	(12,632,991)
	\$ 28,024,670	\$ 31,226,590

Depreciation expense totaled \$1,703,200 and \$1,806,224 for the years ended September 30, 2018 and 2017, respectively.

UPWARD UNLIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

6. NOTE RECEIVABLE AND NOTES PAYABLE:

To partially fund the construction of the new sports complex, The Upward Star Center, Upward entered into a New Markets Tax Credit (NMTC) financing arrangement on January 23, 2015. The NMTC Program was established under federal law by the Community Renewal Tax Relief Act of 2000. The program is designed to spur new or increased investments into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for the investments. To earn the tax credit, SunTrust Community Capital, LLC (the NMTC Investor), must remain invested for a seven-year period, which will end in 2022 for Upward's project.

As part of this financing arrangement, the Foundation issued \$10.2 million as a note receivable to an investment fund, Upward Spartanburg Investment Fund, LLC, becoming a leveraged lender. Of this amount, \$2 million was acquired from a financial institution as a bridge loan.

The NMTC Investor, provided approximately \$4.8 million to the fund, representing the value of tax credits to be realized over the seven-year period.

This investment fund in turn made investments in two Community Development Entities (CDEs), ST CDE XVII, LLC and GNMO II Fund I, LLC, and holds 99.99% investor member interests in the CDEs. The CDEs made loans totaling \$15 million to the Upward Star Center project.

As part of this financing arrangement Upward has entered into a put and call agreement to take place at the end of the seven-year tax credit period. Under this agreement, the NMTC Investor can exercise an option to sell its interest in the investment fund to Upward. At that point, the NMTC Investor will have realized the full benefit of the tax credits. Upon exercise of the put option, 100% equity of the NMTC Investor note will be sold to Upward Foundation for \$1,000 plus other stated expenses.

The note receivable with the investment fund mentioned above for the Foundation is receiving quarterly interest-only payments for the first seven years at an interest rate of 3.5% per annum and matures on January 23, 2039.

Upward has not established an allowance for estimated losses, because, based upon historical payments and the nature of the affiliated organizations involved, all amounts are considered collectible. Upward monitors the credit quality of its note annually. As of September 30, 2018 and 2017, the full amount of the loan is current and performing.

UPWARD UNLIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

6. NOTE RECEIVABLE AND NOTES PAYABLE, continued:

Notes payable—net consist of:

	Year Ended June 30,	
	2018	2017
<p>Promissory note payable to ST CDE XVII, LLC from Upward Star Center, LLC at an interest rate of 2.7977% per annum. Interest only payments for the first seven years. The loan matures on January 23, 2045. The loan is secured by the underlying assets of the NMTC qualified project.</p>	\$ 5,000,000	\$ 5,000,000
<p>Promissory note payable to GNMO II Fund I, LLC from Upward Star Center, LLC at an interest rate of 2.7977% per annum. Interest only payments for the first seven years. The loan matures on January 23, 2045. The loan is secured by the underlying assets of the NMTC qualified project.</p>	6,802,000	6,802,000
<p>Promissory note payable to GNMO II Fund I, LLC from Upward Star Center, LLC at an interest rate of 2.7977% per annum. Interest only payments for the first seven years. The loan matures on January 23, 2045. The loan is secured by the underlying assets of the NMTC qualified project.</p>	3,198,000	3,198,000
<p>Promissory note payable to SunTrust from Upward Unlimited Foundation at a fixed interest rate of 3.95% per annum for the term of the loan. Interest only payments are paid quarterly with lump sum payment due upon maturity. The loan matures on January 23, 2022. The loan is secured by deposits and investments held at SunTrust. The loan is also guaranteed by Upward Unlimited. As a condition of the loan, the Foundation is required to maintain a sinking fund with SunTrust. The Foundation is required to make annual payments to the sinking fund in the amount of \$285,715 on the first business day of January, commencing in January of 2016 until the loan is paid in full. The balance of the sinking fund was \$857,729 and \$571,701 as of September 30, 2018 and 2017, respectively, and is included in the restricted cash balance on the consolidated statements of financial position.</p>	2,000,000	2,000,000
	17,000,000	17,000,000
<p>Less unamortized loan costs</p>	(780,445)	(809,350)
	\$ 16,219,555	\$ 16,190,650

UPWARD UNLIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

6. NOTE RECEIVABLE AND NOTES PAYABLE, continued:

Maturities of notes payable (including sinking fund payments) are as follows:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2019	\$ 285,715
2020	285,715
2021	285,715
2022	1,142,855
2023	-
Thereafter	<u>15,000,000</u>
	<u>\$ 17,000,000</u>

Interest expense totaled \$528,438 and \$528,657 for the years ended September 30, 2018 and 2017, respectively.

Upward is required to comply with various covenants related to notes payable. Upward was in compliance with these requirements as of September 30, 2018.

7. COMMITMENTS AND CONTINGENCIES:

LINES OF CREDIT

BB&T has extended to Upward, a revolving line of credit dated July 2009, updated November 2015. The company utilizes the line of credit to underwrite the issuance of letters of credit that are required from time to time by vendors supplying merchandise to Upward, and for operating expenses. Outstanding balances accrue interest at the Libor Market Rate plus 1.75%. There was no outstanding balance on this line, nor any borrowings made, nor any interest paid as of and for the years ended September 30, 2018 and 2017. The line is secured by a blanket lien on underlying assets of UU, excluding the assets of the Upward Star Center. The line of credit has a maximum available credit of \$4,000,000 and matures March 16, 2020.

During the year ended September 30, 2018, TriState Capital Bank extended to Upward, a revolving line of credit. Upward utilizes the line of credit for operating expenses. Outstanding balances accrue interest at 3.97%. There was no outstanding balance on this line, nor any borrowings made, nor any interest paid as of and for the year ended September 30, 2018. The line is secured by the investments described in Note 3. The line of credit has a maximum available credit of \$5,000,000 and matures on demand.

UPWARD UNLIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

8. RENTAL INCOME:

Upward has leased office space at the Star Center facility to a local health system under a noncancelable operating lease, expiring during in September 2024. The leased space is carried at the historical cost of \$572,434 and \$572,434, less accumulated depreciation of \$59,877 and \$45,200, as of September 30, 2018 and 2017, respectively. During the year ended September 30, 2018 and 2017, Upward received \$88,159 and \$86,430 in revenue under this lease, respectively. Future minimal rentals under the lease are as follows:

<u>Years Ending September 30,</u>	<u>Amounts</u>
2019	\$ 89,922
2020	91,720
2021	93,555
2022	95,426
2023	97,334
Thereafter	<u>99,281</u>
	<u>\$ 567,238</u>

9. CONTINGENT LIABILITY:

Upward has identified potential tax exposure in one state and is seeking to achieve determination and compliance. Management estimates the amount payable at September 30, 2018 to be \$91,945, and has included this in accrued expenses on the consolidated statements of financial position.

10. RELATED PARTIES:

Upward donated cash to five affiliates in the amount of \$152,700 and \$152,000 during the years ended September 30, 2018 and 2017, to assist with the entities' start up costs.

11. EMPLOYEE BENEFITS:

Upward has adopted a qualified Section 125 Cafeteria Plan (Plan) for health, dental, and cancer insurance coverage. Under the Plan, amounts contributed by eligible employees who participated in the Plan are not subject to income taxes.

Upward has also adopted an approved proto-type discretionary 401(k) plan. Qualified employees may participate up to 15% of their compensation. At the discretion of the board, Upward may match employee contributions. The matching contribution is determined and approved on an annual basis. For the year ended September 30, 2017, no match was paid as the board temporarily suspended matching contributions to the plan. For the year ended September 30, 2018, Upward paid a board approved company match of 50% per dollar, up to 6% of the employee's compensation, amounting to \$83,951.

UPWARD UNLIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

12. FAIR VALUE MEASUREMENTS:

The *Fair Value Measurement and Disclosure* topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. Upward uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Upward measures using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All investments are valued using Level 2 inputs as of September 30, 2018 and 2017.

Methods and assumptions used by Upward in estimating fair value are as follows:

Municipal bonds—The fair value of these bonds is based upon yields currently available on comparable securities of issuers with similar credit ratings.

Changes in methods and assumptions—None.

13. SUBSEQUENT EVENTS:

Subsequent events were evaluated through January 9, 2019, which is the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Upward Unlimited and Subsidiaries
Spartanburg, South Carolina

We have audited the consolidated financial statements of Upward Unlimited and Subsidiaries for September 30, 2018 and 2017, and have issued our report thereon dated January 9, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of functional expenses, consolidating statements of financial position as of September 30, 2018 and 2017, and consolidating statements of activities for the year ended September 30, 2018 and 2017, are presented for purposes of additional analysis of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Columbia, South Carolina
January 9, 2019

UPWARD UNLIMITED AND SUBSIDIARIES

Schedule of Functional Expenses

Year Ended September 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Cost of goods sold	\$ 7,976,889	\$ -	\$ -	\$ 7,976,889
Freight	579,778	24,801	289	604,868
Inventory obsolescence	892,649	-	-	892,649
Personnel:				
Salaries and wages	4,484,828	2,081,001	309,866	6,875,695
Employee benefits	885,622	350,634	42,830	1,279,086
Travel	357,250	10,863	2,945	371,058
Outside services	397,070	696,107	17,054	1,110,231
Conference and meetings	77,719	2,319	93,546	173,584
Supplies	232,149	4,170	6,930	243,249
Telephone/Internet	108,852	14,358	1,358	124,568
Marketing/Advertising	-	70,709	-	70,709
Training	16,638	1,721	-	18,359
Occupancy	725,016	49,282	3,455	777,753
Insurance and taxes	301,263	24,841	1,717	327,821
Depreciation	1,439,819	263,381	-	1,703,200
Interest	365,796	81,914	80,728	528,438
Donation expense	131,910	-	-	131,910
Donated inventory and resources	12,668	-	-	12,668
Other operating expenses	450,112	726,587	10,686	1,187,385
Total	<u>\$ 19,436,028</u>	<u>\$ 4,402,688</u>	<u>\$ 571,404</u>	<u>\$ 24,410,120</u>
	79.6%	18.0%	2.3%	

UPWARD UNLIMITED AND SUBSIDIARIES

Schedule of Functional Expenses

Year Ended September 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Cost of goods sold	\$ 7,927,285	\$ -	\$ -	\$ 7,927,285
Freight	533,869	31,051	434	565,354
Inventory obsolescence	141,556	-	-	141,556
Personnel:				
Salaries and wages	4,493,378	1,940,688	335,469	6,769,535
Employee benefits	781,044	307,189	43,130	1,131,363
Travel	431,372	21,240	17,350	469,962
Outside services	261,815	544,630	21,195	827,640
Conference and meetings	106,251	1,578	245,115	352,944
Supplies	254,964	6,728	6,202	267,894
Telephone/Internet	140,486	19,045	1,391	160,922
Marketing/Advertising	-	88,395	-	88,395
Training	46,498	4,290	19	50,807
Occupancy	868,921	59,567	4,125	932,613
Insurance and taxes	209,059	24,288	3,276	236,623
Depreciation	1,526,577	279,252	395	1,806,224
Interest	365,796	81,914	80,947	528,657
Donation expense	280,544	-	-	280,544
Donated inventory and resources	23,018	-	-	23,018
Other operating expenses	558,050	685,603	25,690	1,269,343
Total	<u>\$ 18,950,483</u>	<u>\$ 4,095,458</u>	<u>\$ 784,738</u>	<u>\$ 23,830,679</u>
	79.5%	17.2%	3.3%	

UPWARD UNLIMITED AND SUBSIDIARIES

Consolidating Statement of Financial Position

September 30, 2018

	Upward Sports	Upward Fan	Upward Foundation	Upward Star Center, LLC	Eliminations	Total
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 2,530,453	\$ 940	\$ 548,798	\$ 50,000	\$ -	\$ 3,130,191
Cash held for church partners	729,702	-	-	-	-	729,702
Investments	8,020,414	-	-	-	-	8,020,414
Investment in subsidiaries	4,923,785	-	-	-	(4,923,785)	-
Accounts and other receivable–net	1,020,320	-	29,799	38,500	(38,500)	1,050,119
Prepays and other assets	140,442	-	-	-	-	140,442
Inventory–net	6,789,008	-	-	-	-	6,789,008
Restricted cash (Note 6)	-	-	857,729	-	-	857,729
Note receivable	-	-	10,203,000	-	-	10,203,000
	24,154,124	940	11,639,326	88,500	(4,962,285)	30,920,605
Property and equipment–net	12,289,705	-	-	15,734,965	-	28,024,670
Total Assets	\$ 36,443,829	\$ 940	\$ 11,639,326	\$ 15,823,465	\$ (4,962,285)	\$ 58,945,275

(continued)

UPWARD UNLIMITED AND SUBSIDIARIES

Consolidating Statement of Financial Position

September 30, 2018
(continued)

	Upward Sports	Upward Fan	Upward Foundation	Upward Star Center, LLC	Eliminations	Total
LIABILITIES AND NET ASSETS:						
Current liabilities:						
Accounts payable	\$ 250,818	\$ -	\$ 3,181	\$ -	\$ (38,500)	\$ 215,499
Accrued expenses	1,238,815	-	-	34,971	-	1,273,786
Accrued payroll and benefits payable	512,179	-	-	-	-	512,179
Payable to church partners	729,702	-	-	-	-	729,702
Deferred revenue	326,286	-	-	-	-	326,286
Notes payable–net	(405,000)	-	1,977,043	14,647,512	-	16,219,555
	2,652,800	-	1,980,224	14,682,483	(38,500)	19,277,007
Net assets:						
Unrestricted:						
Undesignated	16,577,539	940	9,560,706	53,529	-	26,192,714
Equity in property and equipment	12,289,705	-	-	1,087,453	-	13,377,158
Capital investments	4,923,785	-	-	-	(4,923,785)	-
	33,791,029	940	9,560,706	1,140,982	(4,923,785)	39,569,872
Temporarily restricted	-	-	98,396	-	-	98,396
	33,791,029	940	9,659,102	1,140,982	(4,923,785)	39,668,268
Total Liabilities and Net Assets	\$ 36,443,829	\$ 940	\$ 11,639,326	\$ 15,823,465	\$ (4,962,285)	\$ 58,945,275

UPWARD UNLIMITED AND SUBSIDIARIES

Consolidating Statement of Financial Position

September 30, 2017

	Upward Sports	Upward Fan	Upward Foundation	Upward Star Center, LLC	Eliminations	Total
ASSETS:						
Current assets:						
Cash and cash equivalents	\$ 8,781,386	\$ 945	\$ 692,500	\$ 62,500	\$ -	\$ 9,537,331
Cash held for church partners	668,748	-	-	-	-	668,748
Investments	4,966,122	-	-	-	(4,966,122)	-
Accounts and other receivable–net	1,026,181	-	29,760	38,500	(42,768)	1,051,673
Prepays and other assets	248,791	-	74,634	-	-	323,425
Inventory–net	8,021,138	-	-	-	-	8,021,138
Restricted cash (Note 6)	-	-	571,701	-	-	571,701
Note receivable	-	-	10,203,000	-	-	10,203,000
	23,712,366	945	11,571,595	101,000	(5,008,890)	30,377,016
Property and equipment–net	14,611,062	-	-	16,615,528	-	31,226,590
Total Assets	\$ 38,323,428	\$ 945	\$ 11,571,595	\$ 16,716,528	\$ (5,008,890)	\$ 61,603,606

(continued)

UPWARD UNLIMITED AND SUBSIDIARIES

Consolidating Statement of Financial Position

September 30, 2017
(continued)

	Upward Sports	Upward Fan	Upward Foundation	Upward Star Center, LLC	Eliminations	Total
LIABILITIES AND NET ASSETS:						
Current liabilities:						
Accounts payable	\$ 329,024	\$ 5	\$ 15,860	\$ -	\$ (42,768)	\$ 302,121
Accrued expenses	1,682,067	-	-	34,971	-	1,717,038
Accrued payroll and benefits payable	316,090	-	7,836	-	-	323,926
Payable to church partners	668,748	-	-	-	-	668,748
Deferred revenue	312,511	-	-	-	-	312,511
Notes payable–net	(420,000)	-	1,976,193	14,634,457	-	16,190,650
	2,888,440	5	1,999,889	14,669,428	(42,768)	19,514,994
Net assets:						
Unrestricted:						
Undesignated	15,857,804	940	9,535,467	66,029	-	25,460,240
Equity in property and equipment	14,611,062	-	-	1,981,071	-	16,592,133
Capital investments	4,966,122	-	-	-	(4,966,122)	-
	35,434,988	940	9,535,467	2,047,100	(4,966,122)	42,052,373
Temporarily restricted	-	-	36,239	-	-	36,239
	35,434,988	940	9,571,706	2,047,100	(4,966,122)	42,088,612
Total Liabilities and Net Assets	\$ 38,323,428	\$ 945	\$ 11,571,595	\$ 16,716,528	\$ (5,008,890)	\$ 61,603,606

UPWARD UNLIMITED AND SUBSIDIARIES

Consolidating Statement of Activities

Year Ended September 30, 2018

	Upward Sports	Upward Fan	Upward Foundation	Upward Star Center, LLC	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS:						
Support and Revenue:						
Revenue:						
Program-net	\$ 17,378,102	\$ -	\$ -	\$ -	\$ -	\$ 17,378,102
Program support-net	3,022,377	-	-	-	-	3,022,377
Conference fee income	29,460	-	-	-	-	29,460
Interest income	23,664	-	357,417	-	-	381,081
Upward Star Center revenue-net	1,397,346	-	-	-	-	1,397,346
Rental income	-	-	-	462,000	(462,000)	-
Investment income (Note 3)	20,414	-	-	-	-	20,414
Loss on disposal of software development	(1,703,382)	-	-	-	-	(1,703,382)
Other income	1,318,485	-	-	-	-	1,318,485
	<u>21,486,466</u>	<u>-</u>	<u>357,417</u>	<u>462,000</u>	<u>(462,000)</u>	<u>21,843,883</u>
Support:						
Contributions	896	-	422,182	-	(288,295)	134,783
Special events:						
Revenue-unrestricted	-	-	9,200	-	-	9,200
Cost of direct donor benefits	-	-	(90,256)	-	-	(90,256)
	<u>896</u>	<u>-</u>	<u>341,126</u>	<u>-</u>	<u>(288,295)</u>	<u>53,727</u>
Reclassification-net assets released from restriction by satisfaction of purpose restrictions	-	-	30,009	-	-	30,009
Total unrestricted support and revenue and reclassifications	<u>21,487,362</u>	<u>-</u>	<u>728,552</u>	<u>462,000</u>	<u>(750,295)</u>	<u>21,927,619</u>

(continued)

UPWARD UNLIMITED AND SUBSIDIARIES

Consolidating Statement of Activities

Year Ended September 30, 2018
(continued)

	Upward Sports	Upward Fan	Upward Foundation	Upward Star Center, LLC	Eliminations	Total
Expenses:						
Program services:						
Domestic programs	18,944,216	-	131,909	1,110,198	(750,295)	19,436,028
Supporting activities:						
Management and general	4,187,105	-	-	215,583	-	4,402,688
Fund-raising	-	-	571,404	-	-	571,404
Total Expenses	<u>23,131,321</u>	<u>-</u>	<u>703,313</u>	<u>1,325,781</u>	<u>(750,295)</u>	<u>24,410,120</u>
Distribution to member	-	-	-	(42,337)	42,337	-
Total change in unrestricted net assets	<u>(1,643,959)</u>	<u>-</u>	<u>25,239</u>	<u>(906,118)</u>	<u>42,337</u>	<u>(2,482,501)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:						
Contributions	-	-	91,666	-	-	91,666
Special events revenue—temporarily restricted	-	-	500	-	-	500
Reclassifications—net assets released from restrictions	-	-	(30,009)	-	-	(30,009)
Change in temporarily restricted net assets	<u>-</u>	<u>-</u>	<u>62,157</u>	<u>-</u>	<u>-</u>	<u>62,157</u>
Total change in net assets	(1,643,959)	-	87,396	(906,118)	42,337	(2,420,344)
Net Assets, beginning of year	<u>35,434,988</u>	<u>940</u>	<u>9,571,706</u>	<u>2,047,100</u>	<u>(4,966,122)</u>	<u>42,088,612</u>
Net Assets, end of year	<u>\$ 33,791,029</u>	<u>\$ 940</u>	<u>\$ 9,659,102</u>	<u>\$ 1,140,982</u>	<u>\$ (4,923,785)</u>	<u>\$ 39,668,268</u>

UPWARD UNLIMITED AND SUBSIDIARIES

Consolidating Statement of Activities

Year Ended September 30, 2017

	Upward Sports	Upward Fan	Upward Foundation	Upward Star Center, LLC	Eliminations	Total
CHANGES IN UNRESTRICTED NET ASSETS:						
Support and Revenue:						
Revenue:						
Program-net	\$ 19,506,876	\$ -	\$ -	\$ -	\$ -	\$ 19,506,876
Program support-net	3,318,295	-	-	-	-	3,318,295
Conference fee income	81,750	-	-	-	-	81,750
Upward Star Center revenue-net	1,304,741	-	-	-	-	1,304,741
Interest income	29,522	-	357,303	-	-	386,825
Rental income	-	-	-	462,000	(462,000)	-
Other income	337,490	-	-	-	-	337,490
	<u>24,578,674</u>	<u>-</u>	<u>357,303</u>	<u>462,000</u>	<u>(462,000)</u>	<u>24,935,977</u>
Support:						
Contributions	1,070	-	1,314,970	-	(1,247,539)	68,501
Special events:						
Revenue-unrestricted	-	-	40,500	-	-	40,500
Cost of direct donor benefits	-	-	(281,501)	-	-	(281,501)
	<u>1,070</u>	<u>-</u>	<u>1,073,969</u>	<u>-</u>	<u>(1,247,539)</u>	<u>(172,500)</u>
Reclassification-net assets released from restriction by satisfaction of purpose restrictions	-	-	240,419	-	-	240,419
Total unrestricted support and revenue and reclassifications	<u>24,579,744</u>	<u>-</u>	<u>1,671,691</u>	<u>462,000</u>	<u>(1,709,539)</u>	<u>25,003,896</u>

(continued)

UPWARD UNLIMITED AND SUBSIDIARIES

Consolidating Statement of Activities

Year Ended September 30, 2017
(continued)

	Upward Sports	Upward Fan	Upward Foundation	Upward Star Center, LLC	Eliminations	Total
Expenses:						
Program services:						
Domestic programs	19,311,906	-	280,544	1,067,572	(1,709,539)	18,950,483
Supporting activities:						
Management and general	3,887,671	-	-	207,787	-	4,095,458
Fund-raising	-	-	784,738	-	-	784,738
Total Expenses	23,199,577	-	1,065,282	1,275,359	(1,709,539)	23,830,679
Distribution to member	-	-	-	(105,804)	105,804	-
Total change in unrestricted net assets	1,380,167	-	606,409	(919,163)	105,804	1,173,217
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:						
Contributions	-	-	100,797	-	-	100,797
Special events revenue—temporarily restricted	-	-	119,000	-	-	119,000
Reclassifications—net assets released from restrictions	-	-	(240,419)	-	-	(240,419)
Change in temporarily restricted net assets	-	-	(20,622)	-	-	(20,622)
Total change in net assets	1,380,167	-	585,787	(919,163)	105,804	1,152,595
Net Assets, beginning of year	34,054,821	940	8,985,919	2,966,263	(5,071,926)	40,936,017
Net Assets, end of year	\$ 35,434,988	\$ 940	\$ 9,571,706	\$ 2,047,100	\$ (4,966,122)	\$ 42,088,612