

UPTURN, INC.

FINANCIAL STATEMENTS

December 31, 2018

CONTENTS

Independent Auditor's Report	1
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Upturn, Inc.
Washington, DC

We have audited the accompanying financial statements of Upturn, Inc., which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the fifteen months 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.

Auditor's 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 auditor's 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 Upturn, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

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Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Upturn, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the fifteen months ended December 31, 2018. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
March 7, 2019

UPTURN, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 840,387
Current portion of unconditional promises to give	1,320,846
Employee reimbursements	990
Prepaid expenses	6,934
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Total current assets 2,169,157

OTHER ASSETS

Unconditional promises to give less current portion	1,606,594
Security deposit	5,500
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Total other assets 1,612,094

Total assets

\$ 3,781,251

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 7,022
Accrued expenses	7,568
Accrued payroll	17,313
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Total liabilities 31,903

NET ASSETS

Without donor restrictions	745,754
With donor restrictions	3,003,594
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Total net assets 3,749,348

Total liabilities and net assets

\$ 3,781,251

See accompanying notes.

UPTURN, INC.
STATEMENT OF ACTIVITIES
Fifteen Months Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 594,599	\$ 4,353,594	\$ 4,948,193
Cost sharing revenue	11,717	-	11,717
In-kind contributions	1,578	-	1,578
Miscellaneous	11,894	-	11,894
Total support and revenue	619,788	4,353,594	4,973,382
EXPENSES			
Program services	979,421	-	979,421
Management and general	241,676	-	241,676
Fundraising	2,937	-	2,937
Total expenses	1,224,034	-	1,224,034
NET ASSETS RELEASED FROM RESTRICTIONS			
Expiration of time restrictions	1,262,292	(1,262,292)	-
Satisfaction of purpose restrictions	87,708	(87,708)	-
Change in net assets	745,754	3,003,594	3,749,348
Net assets at beginning of period	-	-	-
Net assets at end of period	\$ 745,754	\$ 3,003,594	\$ 3,749,348

See accompanying notes.

UPTURN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Fifteen Months Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Personnel	\$ 787,296	\$ 171,318	\$ -	\$ 958,614
Professional fees	10,062	32,572	-	42,634
Office expenses	29,553	11,678	-	41,231
Conferences and meetings	24,013	9,444	2,937	36,394
Insurance	3,522	936	-	4,458
Occupancy	48,094	12,784	-	60,878
Information technology	5,022	1,335	-	6,357
Travel	70,649	1,609	-	72,258
Subscriptions	1,210	-	-	1,210
Total expenses	<u>\$ 979,421</u>	<u>\$ 241,676</u>	<u>\$ 2,937</u>	<u>\$ 1,224,034</u>

See accompanying notes.

UPTURN, INC.
STATEMENT OF CASH FLOWS
Fifteen Months Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 3,749,348
Adjustments to reconcile change in net assets to net change in cash	
Amortization of discount on unconditional promises to give	43,406
Increase in assets	
Unconditional promises to give	(2,970,846)
Employee reimbursements	(990)
Prepaid expenses	(6,934)
Security deposit	(5,500)
Increase in liabilities	
Accounts payable	7,022
Accrued expenses	7,568
Accrued payroll	17,313
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Net change in cash	840,387
Cash at beginning of period	<hr/> -
	<hr/>
Cash at end of period	\$ 840,387
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See accompanying notes.

UPTURN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Upturn, Inc. is a not-for-profit organization located in the District of Columbia. Upturn promotes equity and justice in the design, governance, and use of digital technology. Upturn's research and advocacy combines technical fluency and creative policy thinking to confront patterns of inequity, especially those rooted in race and poverty. Upturn works in partnership with many of the nation's leading civil rights and public interest organizations addressing a variety of issues, including: safety & justice, markets & opportunity, open & secure communication, and decisions, automation and power.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with 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 statement of activities as net assets released from restrictions.

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. The expenses that are allocated include office expenses, conferences and meetings, insurance, occupancy, and travel which are allocated on the basis of estimates of time and effort.

Income Tax Status

Upturn is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, Upturn qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

UPTURN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Upturn has adjusted the presentation of these financial statements accordingly.

Date of Management's Review

Management has evaluated subsequent events through March 7, 2019, the date which the financial statements were available to be issued.

NOTE 2—PROMISES TO GIVE

Unconditional promises to give are as follows:

Receivable in less than one year	\$ 1,320,846
Receivable in one to five years	<u>1,650,000</u>
Total unconditional promises to give	2,970,846
Less discounts to present value	<u>(43,406)</u>
Unconditional promises to give	<u><u>\$ 2,927,440</u></u>

Unconditional promises to give receivable in more than one year are discounted at 2%.

NOTE 3—NET ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

Subsequent years' operations	\$ 2,631,302
Core support for institutional strengthening	<u>372,292</u>
Net assets with donor restrictions	<u><u>\$ 3,003,594</u></u>

NOTE 4—LEASE

Upturn leases office space in Washington, D.C., under a noncancellable operating lease that expires in October 2019. Rent expense for this lease totaled \$60,878 for the fifteen months ended December 31, 2018.

UPTURN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 5—RETIREMENT PLAN

Upturn sponsors a tax-sheltered annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers full-time employees of Upturn. Upturn contributes 10% of gross salaries to the plan for qualified employees. Plan expenses totaled \$81,067 for the fifteen months ended December 31, 2018.

NOTE 6—CONCENTRATIONS

Contributions

Almost all of Upturn's funding was provided by 5 donors for the fifteen months ended December 31, 2018.

Credit Risk

Upturn maintains its cash balances in one financial institution located in Washington, DC. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, Upturn's uninsured cash balances total approximately \$592,000.

NOTE 7—RELATED PARTY TRANSACTIONS

Upturn entered into an agreement with Upturn Consulting LLC where Upturn Consulting LLC paid Upturn for the time spent by Upturn's employees on Upturn Consulting LLC's activities. Upturn and Upturn Consulting LLC are related through common management. Upturn Consulting LLC paid \$11,717 to Upturn under this agreement for the fifteen months ended December 31, 2018. Upturn Consulting LLC was dissolved on October 17, 2018.

NOTE 8—LIQUIDITY AND AVAILABILITY

The following reflects Upturn's financial assets as of the date of the statement of financial position, reduced by amounts not available for general expenditure within one year of the date of the statement of financial position because of donor-imposed or other restrictions.

Financial assets at year-end	\$ 3,768,817
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with time or purpose restrictions	<u>(1,755,606)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,013,211</u>

Upturn is substantially supported by restricted grants and contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Upturn must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for expenditure within one year. Unconditional promises to give expected to be collected within one year that do not contain donor purpose restrictions are available for general expenditures. As part of Upturn's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.