

UPTURN, INC.

FINANCIAL STATEMENTS

December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Upturn, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Upturn, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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

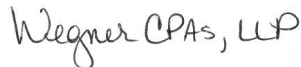
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2020 and 2019, 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.



Wegner CPAs, LLP
Alexandria, Virginia
May 13, 2021

UPTURN, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,443,040	\$ 2,429,296
Current portion of unconditional promises to give	900,000	1,100,000
Grant receivable	9,174	29,994
Employee reimbursements	-	18
Prepaid expenses	17,947	7,485
Total current assets	3,370,161	3,566,793
OTHER ASSETS		
Unconditional promises to give less current portion	-	561,607
Security deposit	5,500	5,500
Total other assets	5,500	567,107
Total assets	\$ 3,375,661	\$ 4,133,900
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 6,978	\$ 15,923
Accrued payroll	39,547	23,699
Refundable advance	17,500	535,000
Total liabilities	64,025	574,622
NET ASSETS		
Without donor restrictions	1,136,365	1,142,910
With donor restrictions	2,175,271	2,416,368
Total net assets	3,311,636	3,559,278
Total liabilities and net assets	\$ 3,375,661	\$ 4,133,900

See accompanying notes.

UPTURN, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 10,050	\$ 1,180,893	\$ 1,190,943
Grants	78,362	-	78,362
Interest	25,704	-	25,704
Miscellaneous	2,640	-	2,640
Total support and revenue	116,756	1,180,893	1,297,649
EXPENSES			
Program services	1,202,586	-	1,202,586
Management and general	329,106	-	329,106
Fundraising	13,599	-	13,599
Total expenses	1,545,291	-	1,545,291
NET ASSETS RELEASED FROM RESTRICTIONS			
Expiration of time restrictions	1,247,094	(1,247,094)	-
Satisfaction of purpose restrictions	174,896	(174,896)	-
Net assets released from restrictions	1,421,990	(1,421,990)	-
Change in net assets	(6,545)	(241,097)	(247,642)
Net assets at beginning of year	1,142,910	2,416,368	3,559,278
Net assets at end of year	<u>\$ 1,136,365</u>	<u>\$ 2,175,271</u>	<u>\$ 3,311,636</u>

See accompanying notes.

UPTURN, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ -	870,013	\$ 870,013
Grants	100,664	-	100,664
Interest	2,073	-	2,073
Miscellaneous	16,366	-	16,366
Total support and revenue	119,103	870,013	989,116
EXPENSES			
Program services	942,799	-	942,799
Management and general	218,684	-	218,684
Fundraising	17,703	-	17,703
Total expenses	1,179,186	-	1,179,186
NET ASSETS RELEASED FROM RESTRICTIONS			
Expiration of time restrictions	1,276,444	(1,276,444)	-
Satisfaction of purpose restrictions	180,795	(180,795)	-
Net assets released from restrictions	1,457,239	(1,457,239)	-
Change in net assets	397,156	(587,226)	(190,070)
Net assets at beginning of year	745,754	3,003,594	3,749,348
Net assets at end of year	<u>\$ 1,142,910</u>	<u>\$ 2,416,368</u>	<u>\$ 3,559,278</u>

See accompanying notes.

UPTURN, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2020 and 2019

	2020			
	Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 1,087,846	\$ 209,604	\$ 12,929	\$ 1,310,379
Professional fees	28,000	55,333	9	83,342
Office expenses	2,685	15,645	-	18,330
Conferences and meetings	12,605	10,624	-	23,229
Insurance	3,517	3,219	37	6,773
Occupancy	50,385	21,003	624	72,012
Information technology	831	12,156	-	12,987
Travel	16,717	-	-	16,717
Subscriptions	-	1,522	-	1,522
Total expenses	\$ 1,202,586	\$ 329,106	\$ 13,599	\$ 1,545,291
	2019			
	Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 681,284	\$ 111,984	\$ 16,476	\$ 809,744
Professional fees	88,625	44,681	17	133,323
Office expenses	16,900	17,740	-	34,640
Conferences and meetings	10,836	23,531	-	34,367
Insurance	904	1,795	22	2,721
Occupancy	49,115	8,073	1,188	58,376
Information technology	79	7,668	-	7,747
Travel	95,056	1,435	-	96,491
Subscriptions	-	1,777	-	1,777
Total expenses	\$ 942,799	\$ 218,684	\$ 17,703	\$ 1,179,186

See accompanying notes.

UPTURN, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (247,642)	\$ (190,070)
Adjustments to reconcile change in net assets to net change in cash		
Amortization of discount on unconditional promises to give	-	(30,013)
(Increase) decrease in assets		
Unconditional promises to give	761,607	1,295,846
Grant receivable	20,820	(29,994)
Employee reimbursements	18	972
Prepaid expenses	(10,462)	(551)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(8,945)	1,333
Accrued payroll	15,848	6,386
Refundable advance	(517,500)	535,000
Net change in cash	13,744	1,588,909
Cash at beginning of year	2,429,296	840,387
Cash at end of year	\$ 2,443,040	\$ 2,429,296

See accompanying notes.

UPTURN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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. Upturn is supported primarily through donor grants and contributions.

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.

Grant Receivable

Grant receivable represents amounts due from the University of Virginia for costs incurred under a cost reimbursement grant agreement. Grant receivable is stated at the amount management expects to be collected from outstanding balances. As of December 31, 2020 and 2019, management has determined, based on historical experience that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

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 statements of activities as net assets released from restrictions.

Grants

Grants are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined by each grant, are made. Funds received but not earned are shown as a refundable advance. Expenditures under government grants are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these grants, Upturn will record such disallowance at the time the final assessment is made.

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 personnel and occupancy which are allocated on the basis of estimates of time and effort.

UPTURN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Date of Management's Review

Management has evaluated subsequent events through May 13, 2021, the date which the financial statements were available to be issued.

NOTE 2—PROMISES TO GIVE

Unconditional promises to give are as follows:

	2020	2019
Receivable in less than one year	\$ 900,000	\$ 1,100,000
Receivable in one to five years	-	575,000
Total unconditional promises to give	900,000	1,675,000
Less discounts to present value	-	(13,393)
Unconditional promises to give	\$ 900,000	\$ 1,661,607

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

NOTE 3—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. For the years ended December 31, 2020 and 2019, employer contributions to the plan totaled \$104,490 and \$64,574, respectively.

UPTURN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4—NET ASSETS

At December 31, 2020 and 2019, net assets without donor restrictions consists of \$416,804 and \$317,545, respectively, designated as an operating reserve by the board of directors

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

	2020	2019
Subsequent years' operations	\$ 1,866,667	\$ 1,967,662
Core support for institutional strengthening	-	390,946
Research on discriminatory targeting of social media companies	-	41,760
In-house statistical research	308,604	-
Equity in hiring algorithms	-	16,000
Net assets with donor restrictions	\$ 2,175,271	\$ 2,416,368

NOTE 5—LEASE

Upturn leases office space in Washington, D.C., under a noncancellable operating lease that expired in January 2021 and was not renewed. Upturn currently plans to have employees work remotely until there is reduced uncertainty surrounding the pandemic, as detailed in Note 7. For the years ended December 31, 2020 and 2019, rent expense for this lease totaled \$72,012 and \$58,376, respectively.

NOTE 6—CONCENTRATIONS

Contributions

For the years ended December 31, 2020 and 2019, almost all of Upturn's funding was provided by two donors.

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, 2020 and 2019, Upturn's uninsured cash balances total approximately \$2,194,000 and \$2,182,000, respectively.

NOTE 7—COVID-19 CONSIDERATIONS

Upturn's operations were affected by the ongoing COVID-19 outbreak that was declared a pandemic by the World Health Organization on March 11, 2020. Upturn altered operations through holding its programming virtually, as well as personnel working remotely. The ultimate disruption and effect on Upturn are uncertain; however, it may result in a material adverse impact on Upturn's assets, revenues, and expenses.

UPTURN, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 8—LIQUIDITY AND AVAILABILITY

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

	2020	2019
Financial assets at year-end	\$ 3,352,214	\$ 4,120,915
Less those unavailable for general expenditures within one year, due to:		
Designated by the board of directors as an operating reserve	(416,804)	(317,545)
Restricted by donor with time or purpose restrictions	(308,604)	(908,706)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,626,806	\$ 2,894,664

Included in financial assets unavailable for general expenditures within one year at December 31, 2020 and 2019 are \$416,804 and \$317,545, respectively designated by the board of directors as an operating reserve, however these amounts could be made available for use, subject to board approval. 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.