

Financial Statements Together with
Report of Independent Certified Public Accountants

UPWARDLY GLOBAL

December 31, 2016

UPWARDLY GLOBAL

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Upwardly Global:

We have audited the accompanying financial statements of Upwardly Global (the “Organization”), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Organization’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 Organization’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 Upwardly Global as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
August 24, 2017

UPWARDLY GLOBAL
Statement of Financial Position
As of December 31, 2016

ASSETS

Cash	\$ 654,321
Contributions receivables	1,646,279
Grants receivables	65,982
Other receivables	105,202
Prepaid expenses	31,500
Property and equipment, net (Note 3)	99,452
Security deposits	<u>76,160</u>
Total assets	<u>\$ 2,678,896</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 31,722
Accrued vacation and sabbatical leave	<u>188,483</u>
Total liabilities	<u>220,205</u>

Commitments (Note 7)

NET ASSETS

Unrestricted	630,510
Temporarily restricted (Note 5)	<u>1,828,181</u>
Total net assets	<u>2,458,691</u>
Total liabilities and net assets	<u>\$ 2,678,896</u>

The accompanying notes are an integral part of this financial statement.

UPWARDLY GLOBAL
Statement of Activities
For the year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Public support			
Foundations and corporate contributions	\$ 18,077	\$ 3,640,384	\$ 3,658,461
Individual contributions	538,050	-	538,050
In-kind contributions (Note 2)	464,229	-	464,229
Government grants	358,903	-	358,903
Special events, net (Note 4)	375,032	-	375,032
Net assets released from restrictions (Note 5)	<u>2,583,067</u>	<u>(2,583,067)</u>	<u>-</u>
Total public support	<u>4,337,358</u>	<u>1,057,317</u>	<u>5,394,675</u>
Other revenue			
Employer partner fees	185,850	-	185,850
Interest	801	-	801
Miscellaneous	<u>10,476</u>	<u>-</u>	<u>10,476</u>
Total other revenue	<u>197,127</u>	<u>-</u>	<u>197,127</u>
Total revenue	<u>4,534,485</u>	<u>1,057,317</u>	<u>5,591,802</u>
EXPENSES			
Program	4,364,264	-	4,364,264
Management and general	602,443	-	602,443
Fundraising	<u>1,307,585</u>	<u>-</u>	<u>1,307,585</u>
Total expenses	<u>6,274,292</u>	<u>-</u>	<u>6,274,292</u>
Changes in net assets	(1,739,807)	1,057,317	(682,490)
Net assets, beginning of year	<u>2,370,317</u>	<u>770,864</u>	<u>3,141,181</u>
Net assets, end of year	<u>\$ 630,510</u>	<u>\$ 1,828,181</u>	<u>\$ 2,458,691</u>

The accompanying notes are an integral part of this financial statement.

UPWARDLY GLOBAL
Statement of Functional Expenses
For the year ended December 31, 2016

	Program					Total Program	Management and General	Fundraising	Cost of Direct Benefits to Donors	Totals
	New York	Western	Central	Eastern	National					
Salaries	\$ 619,483	\$ 574,622	\$ 484,844	\$ 431,945	\$ 393,186	\$ 2,504,080	\$ 126,086	\$ 869,079	\$ -	\$ 3,499,245
Employee benefits	77,922	72,720	60,666	55,431	50,337	317,076	17,529	108,828	-	443,433
Payroll taxes	45,701	42,396	35,731	32,014	29,086	184,928	9,476	63,997	-	258,401
Total personnel	743,106	689,738	581,241	519,390	472,609	3,006,084	153,091	1,041,904	-	4,201,079
Contract services	8,799	55,669	24,507	5,159	248,760	342,894	320,536	87,679	49,720	800,829
Advertising and promotion	1,520	1,530	1,795	345	4,489	9,679	-	20	-	9,699
Supplies and office expense	5,201	3,932	3,298	373	1,005	13,809	4,012	44,534	6,031	68,386
Occupancy	45,783	41,205	27,470	27,470	105,301	247,229	13,735	54,940	-	315,904
Printing and publications	7,848	4,479	5,821	380	519	19,047	112	11,346	4,207	34,712
Information technology	30,898	19,207	15,396	7,029	9,276	81,806	1,787	1,685	-	85,278
Travel and meals	7,050	12,951	11,452	6,210	61,995	99,658	18,910	49,465	115,685	283,718
Depreciation	4,202	3,782	2,521	2,521	9,666	22,692	1,262	5,043	-	28,997
Insurance	1,044	970	915	353	2,090	5,372	-	-	-	5,372
License and services fees	-	-	-	-	26,774	26,774	20,928	1,751	100	49,553
Professional development	728	2,323	1,042	464	10,878	15,435	975	8,668	-	25,078
Miscellaneous	1,912	2,147	1,233	707	3,557	9,556	67,095	550	1,011	78,212
In-kind services - consulting and rent	-	8,100	-	-	456,129	464,229	-	-	-	464,229
Total expenses reported by function	858,091	846,033	676,691	570,401	1,413,048	4,364,264	602,443	1,307,585	176,754	6,451,046
Less: cost of direct benefits to donors	-	-	-	-	-	-	-	-	(176,754)	(176,754)
Total expenses	\$ 858,091	\$ 846,033	\$ 676,691	\$ 570,401	\$ 1,413,048	\$ 4,364,264	\$ 602,443	\$ 1,307,585	\$ -	\$ 6,274,292

The accompanying notes are an integral part of this financial statement.

UPWARDLY GLOBAL
Statement of Cash Flows
For the year ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ (682,490)
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Depreciation	28,997
Changes in assets and liabilities:	
Increase in contributions, grants and other receivables	(1,374,236)
Decrease in prepaid expenses	7,376
Decrease in accounts payable and accrued expenses	(64,721)
Increase in accrued vacation and sabbatical leave	12,559
Decrease in deferred revenue	<u>(20,000)</u>
Net cash used in operating activities	<u>(2,092,515)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(103,085)
Increase in security deposits	<u>(50,420)</u>
Net cash used in investing activities	<u>(153,505)</u>
Net decrease in cash	(2,246,020)
Cash, beginning of year	<u>2,900,341</u>
Cash, end of year	<u>\$ 654,321</u>

The accompanying notes are an integral part of this financial statement.

UPWARDLY GLOBAL
Notes to Financial Statements
December 31, 2016

1. NATURE OF ACTIVITIES

Upwardly Global (the “Organization”) is a California nonprofit public benefit corporation, which was founded in 2000. Upwardly Global provides immigrants, refugees and political asylees the tools and training they need to rebuild their professional careers in the USA. At the same time, Upwardly Global promotes immigrant inclusion in the workplace by providing education, employee engagement and placement to employers.

2. SIGNIFICANT ACCOUNTING POLICIES BASIS OF ACCOUNTING

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The following are the significant accounting policies consistently applied in preparation of the accompanying financial statements.

Basis of Presentation

The Organization’s net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets - include funds whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets - include funds whereby donors have stipulated that the corpus contributed be invested and maintained in perpetuity and accordingly, their use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets as of December 31, 2016.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time

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Notes to Financial Statements
December 31, 2016

restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. During 2016, the Organization was the recipient of a conditional grant award from a related party (see Note 8 for additional details regarding the nature of this related party) that will provide funding up to approximately \$3.1 million over a four-year period to train approximately 9,000 job seekers and to create a new national resource center that will result in additional training of approximately 40,000 job seekers. Under the terms of the grant award, the Organization is entitled to a first installment payment upon execution of the grant agreement, which occurred in December 2016. Accordingly, the Organization recognized contribution revenue and a related contribution receivable of approximately \$985,000 within the accompanying 2016 financial statements. The remaining amounts to be received under the grant award, totaling approximately \$2.1 million, are contingent upon the Organization achieving specified performance milestones, as set forth in the grant agreement and accordingly, have not been reflected as a contribution receivable as of December 31, 2016.

Government Grants

Revenue from government grants is recognized as earned, that is, as related costs are incurred under the grant or contract agreement, or it is recognized as revenue in the period in which services are rendered. Any excess or deficiency of cash receipts over expenditures incurred is reported as deferred revenue or grants receivable in the statement of financial position.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only 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 if not provided by donation. The estimated fair value of contributed services is recorded as in-kind contributions and expenses amongst the functional expense categories benefitted in the period received.

For the year ended December 31, 2016, the Organization received the benefit of the following in-kind support:

Strategy development	\$ 456,129
Rent	<u>8,100</u>
Total	<u>\$ 464,229</u>

Receivables

Receivables relate primarily to unconditional promises to give to be received in future periods, government grants and other revenues. As of December 31, 2016, all contributions receivables are expected to be collected within one year. An allowance for uncollectible accounts is provided based on management's judgement, including such factors as aged basis of its receivables, current economic conditions, subsequent receipts and historical collection information. Receivables are charged to bad debt expense when they are deemed to be uncollectible based upon a periodic review of the accounts by management. The Organization writes-off any amounts that are no longer considered to be recoverable, and any payments

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Notes to Financial Statements
December 31, 2016

subsequently received on such receivables are recorded as income. As of December 31, 2016, no allowance for doubtful accounts was deemed necessary.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost, or in the case of donations, at fair value as determined on the date of gift. Assets, including improvements \$500 or greater with an expected life greater than three years are capitalized and depreciated on a straight-line basis over the following estimated useful lives:

Furniture and equipment	3-5 years
Leasehold improvements	6 years

Leasehold improvements are amortized over the estimated useful lives of the improvements or the term of the leases to which they pertain, whichever is shorter. Expenditures for maintenance and repairs are charged to expense as incurred.

Fair Value Measurements

The Organization follows guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.
- Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

The Organization's policy is to recognize transfers in and transfers out of levels at the end of each respective reporting period. As of December 31, 2016, the Organization had no assets or liabilities recorded at fair value.

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Notes to Financial Statements
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Accrued Sabbatical Leave

In addition to regular vacation leave, the Organization grants employees a paid sabbatical leave of 4 weeks after completion of the 5th year of service, to be taken during or after the 6th year of service. Part-time employees are eligible for a pro-rated number of days' leave. Compensated time off under a sabbatical or similar policy is accrued over the requisite service period provided that: (a) the sabbatical requires the completion of a minimum service period to receive the benefit; (b) the benefit does not increase with additional years of service; (c) the individual continues to be a compensated employee during the sabbatical and is not required to perform duties for the entity during the absence; and, (d) the other conditions listed above are met.

During 2016, the Organization eliminated its sabbatical leave benefit which will become effective on January 1, 2017. As of December 31, 2016, the Organization recorded a sabbatical leave liability totaling \$37,635, representing amounts that pertain to employees eligible for paid sabbatical leave prior to the termination of the sabbatical leave policy.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Credit Risk

The Organization maintains its cash in various bank deposit accounts that, at times, may exceed the Federal Deposit Insurance Corporation limits. The risk is managed by maintaining all deposits in high quality financial institutions and management does not anticipate nonperformance by these financial institutions.

Income Taxes

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has evaluated its current tax positions as of December 31, 2016 and is not aware of any significant uncertain tax positions for which a reserve would be required.

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Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated its December 31, 2016 financial statements for subsequent events through August 24, 2017, the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

3. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consist of the following at December 31, 2016:

Furniture and equipment	\$ 199,181
Leasehold improvements	<u>47,525</u>
	246,706
Less accumulated depreciation	<u>(147,254)</u>
Total	<u>\$ 99,452</u>

4. SPECIAL EVENTS, NET

The Organization holds a number of special fundraising events during the year. Income from the Organization's special events, net of costs of direct donor benefits, consist of the following for the year ended December 31, 2016:

Corporate sponsorships	\$ 348,650
Ticket sales and individual contributions	203,136
Less: cost of direct donor benefits	<u>(176,754)</u>
Total	<u>\$ 375,032</u>

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Notes to Financial Statements
December 31, 2016

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as follows as of December 31, 2016:

Program (Western)	\$ 60,000
Program (Central)	198,334
Program (National)	993,133
Program (Eastern)	120,000
Time restricted (New York)	381,714
Time restricted (Western)	<u>75,000</u>
 Total	 <u>\$ 1,828,181</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the year ended December 31, 2016:

Program (New York)	\$ 862,620
Program (Western)	531,500
Program (Central)	261,666
Program (Eastern)	375,000
Program (National)	277,667
Passage of time (New York)	67,708
Passage of time (Western)	<u>206,906</u>
 Total	 <u>\$ 2,583,067</u>

6. REVENUE AND SUPPORT

During the year ended December 31, 2016, contributions, government grants, special event income, net of cost of donor benefits, and earned income have been allocated across the relevant programs as follows:

	<u>National</u>	<u>New York</u>	<u>Eastern</u>	<u>Central</u>	<u>Western</u>	<u>Total</u>
Foundations, corporate contributions and government grants	\$ 815,927	\$ 1,086,999	\$ 358,190	\$ 719,380	\$ 1,036,868	\$ 4,017,364
Individual contributions	83,898	220,436	28,337	46,049	159,330	538,050
In-kind contributions	456,129	-	-	-	8,100	464,229
Special events, net	-	309,680	-	65,352	-	375,032
Employer partner fees	15,400	97,500	-	2,750	70,200	185,850
Other revenue and interest	<u>11,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,277</u>
 Total	 <u>\$ 1,382,631</u>	 <u>\$ 1,714,615</u>	 <u>\$ 386,527</u>	 <u>\$ 833,531</u>	 <u>\$ 1,274,498</u>	 <u>\$ 5,591,802</u>

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Notes to Financial Statements
December 31, 2016

7. COMMITMENTS

The Organization is party to leases for office space in San Francisco, San Jose, New York, Maryland, and Chicago which expire at various dates through October 2021. Future minimum operating lease payments due are as follows for the years ending December 31:

2017	\$ 365,651
2018	348,041
2019	355,405
2020	364,981
2021	<u>230,186</u>
	<u>\$ 1,664,264</u>

Rent expense for the year ended December 31, 2016 totaled \$253,593.

8. RELATED PARTY TRANSACTIONS

During 2016, the Organization received strategy development consulting services from an entity affiliated with a member of the Organization's Board of Directors (see Note 2). The Organization believes that the value assigned to such contributed services approximates fair value. In addition, this same entity provided a substantial amount of support to the Organization during 2016 totaling approximately \$1,230,000.