



UPWARD UNLIMITED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Upward Unlimited and Subsidiaries
Spartanburg, South Carolina

Opinion

We have audited the accompanying consolidated financial statements of Upward Unlimited and Subsidiaries (“the Organization”), which consist of the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Upward Unlimited and Subsidiaries as of September 30, 2022 and 2021, the changes in its consolidated net assets and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental consolidating statements of financial position as of September 30, 2022 and 2021 and the supplemental consolidating statements of activities for the years then ended, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
December 8, 2022

UPWARD UNLIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 4,312,555	\$ 3,751,046
Cash restricted for long-term purposes	—	1,715,753
Cash held for church partners	761,872	831,663
Investments	4,787,866	4,831,313
Accounts and other receivables, net	445,707	953,550
Prepays and other assets	100,805	44,511
Inventory, net	2,201,054	7,173,563
Note receivable	—	10,203,000
Property and equipment, net	22,715,478	24,360,117
Total assets	\$ 35,325,337	\$ 53,864,516

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 939,816	\$ 931,303
Payable to church partners	761,872	831,663
Deferred revenue	28,622	22,743
Notes payable, net	—	16,306,271
Total liabilities	1,730,310	18,091,980
NET ASSETS		
Without donor restrictions	33,527,085	35,704,594
With donor restrictions	67,942	67,942
Total net assets	33,595,027	35,772,536
Total liabilities and net assets	\$ 35,325,337	\$ 53,864,516

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

UPWARD UNLIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Year Ended September 30, 2022			For The Year Ended September 30, 2021
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Program revenue, net	\$ 12,381,575	\$ —	\$ 12,381,575	\$ 6,360,585
Multi-sport center revenue	980,415	—	980,415	1,089,517
Other revenue	458,019	—	458,019	2,540,947
Investment income, net	125,155	—	125,155	496,455
Contributions without donor restrictions	3,223	—	3,223	4,898
Contributions with donor restrictions	—	8,500	8,500	1,000
Net assets released from restrictions	<u>8,500</u>	<u>(8,500)</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>13,956,887</u>	<u>—</u>	<u>13,956,887</u>	<u>10,493,402</u>
EXPENSES				
Program activities				
Sports ministry	15,647,704	—	15,647,704	11,264,974
Supporting activities				
General and administrative	<u>2,354,000</u>	<u>—</u>	<u>2,354,000</u>	<u>2,430,915</u>
Total expenses	<u>18,001,704</u>	<u>—</u>	<u>18,001,704</u>	<u>13,695,889</u>
Change in net assets prior to release of notes payable obligations and write-down of obsolete inventory	(4,044,817)	—	(4,044,817)	(3,202,487)
Noncash grant - release of notes payable obligations, net	4,797,000	—	4,797,000	—
Write-down of obsolete inventory	<u>(2,929,692)</u>	<u>—</u>	<u>(2,929,692)</u>	<u>(403,006)</u>
Change in net assets without donor restrictions	(2,177,509)	—	(2,177,509)	(3,605,493)
Change in net assets with donor restrictions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
CHANGE IN NET ASSETS	(2,177,509)	—	(2,177,509)	(3,605,493)
NET ASSETS - Beginning of year	<u>35,704,594</u>	<u>67,942</u>	<u>35,772,536</u>	<u>39,378,029</u>
NET ASSETS - End of year	<u>\$ 33,527,085</u>	<u>\$ 67,942</u>	<u>\$ 33,595,027</u>	<u>\$ 35,772,536</u>

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UPWARD UNLIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended	
	September 30,	
	2022	2021
OPERATING CASH FLOWS		
Cash received from program revenue	\$ 13,875,712	\$ 7,009,659
Cash received from other revenue	458,019	2,540,947
Cash received from investments	240,486	426,627
Cash received from contributors	11,723	5,898
Cash paid for operating activities and costs	(13,452,269)	(10,812,108)
Interest paid	(200,380)	(499,752)
Net operating cash flows	933,291	(1,328,729)
INVESTING CASH FLOWS		
(Purchases of) proceeds from sales of investments, net	(71,884)	1,052,066
Purchases of and improvements to property and equipment	(85,442)	(464,171)
Net investing cash flows	(157,326)	587,895
FINANCING CASH FLOWS		
Repayments on note payable	(2,000,000)	—
Net financing cash flows	(2,000,000)	—
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,224,035)	(740,834)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of year	6,298,462	7,039,296
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of year	\$ 5,074,427	\$ 6,298,462
REPORTED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS FOLLOWS		
Cash and cash equivalents	\$ 4,312,555	\$ 3,751,046
Cash restricted for long-term purposes	—	1,715,753
Cash held for church partners	761,872	831,663
Total cash, cash equivalents, and restricted cash	\$ 5,074,427	\$ 6,298,462
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ (2,177,509)	\$ (3,605,493)
Adjustments to reconcile change in net assets to net operating cash flows		
Noncash grant - release of notes payable obligations, net	(4,797,000)	—
Depreciation and amortization	2,423,810	1,870,956
Write-down of obsolete inventory	2,929,692	403,006
Net loss (gain) on investments	115,331	(69,828)
Change in accounts and other receivables, net	507,843	(363,593)
Change in prepaids and other assets	(56,294)	63,687
Change in inventory, net	2,042,817	131,879
Change in accounts payable and accrued expenses	8,513	(272,675)
Change in payable to church partners	(69,791)	590,182
Change in deferred revenue	5,879	(76,850)
Net operating cash flows	\$ 933,291	\$ (1,328,729)

SUPPLEMENTAL DISCLOSURE

As described in Note H, the New Market Tax Credits arrangement closed during 2022. Accordingly, \$4,797,000 of principal reductions of notes payable are included in "noncash grant - release of notes payable obligations, net" in the accompanying consolidated statement of activities for the year ended September 30, 2022.

The Accompanying Notes are an Integral
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UPWARD UNLIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year September 30, 2022

	<u>Program Activities</u>	<u>Supporting Activities</u>	
	<u>Sports Ministry</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Cost of goods sold - product costs	\$ 6,471,219	\$ —	\$ 6,471,219
Salaries and benefits	2,508,514	1,424,142	3,932,656
Depreciation	1,564,048	166,033	1,730,081
Donated inventory and resources	1,413,146	—	1,413,146
Outside services	782,597	342,222	1,124,819
Interest and amortization of loan costs	863,784	30,325	894,109
Other operating expenses	433,435	259,289	692,724
Occupancy	534,952	20,515	555,467
Freight	332,023	18,219	350,242
Supplies	273,113	3,269	276,382
Insurance and taxes	195,730	21,000	216,730
Travel	128,815	15,017	143,832
Telephone and internet	59,431	5,604	65,035
Donation expense	53,700	—	53,700
Marketing and advertising	—	47,192	47,192
Conference and meetings	24,690	651	25,341
Training	8,507	522	9,029
Total expenses	<u>\$ 15,647,704</u>	<u>\$ 2,354,000</u>	<u>\$ 18,001,704</u>

The Accompanying Notes are an Integral
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UPWARD UNLIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year September 30, 2021

	<u>Program Activities</u>	<u>Supporting Activities</u>	
	<u>Sports Ministry</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 3,201,861	\$ 1,436,693	\$ 4,638,554
Cost of goods sold - product costs	3,448,968	—	3,448,968
Depreciation	1,686,430	155,621	1,842,051
Occupancy	793,705	17,917	811,622
Outside services	292,241	392,998	685,239
Other operating expenses	360,493	244,875	605,368
Interest and amortization of loan costs	418,034	110,623	528,657
Supplies	437,328	2,600	439,928
Freight	279,391	16,176	295,567
Insurance and taxes	179,516	15,934	195,450
Telephone and internet	64,559	5,584	70,143
Travel	38,983	1,033	40,016
Donation expense	40,000	—	40,000
Marketing and advertising	—	29,528	29,528
Conference and meetings	11,191	453	11,644
Training	6,596	880	7,476
Donated inventory and resources	5,678	—	5,678
Total expenses	<u>\$ 11,264,974</u>	<u>\$ 2,430,915</u>	<u>\$ 13,695,889</u>

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

UPWARD UNLIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Upward Unlimited (“Upward”) is a South Carolina nonprofit corporation. The purpose of Upward (doing business as Upward Sports) is to share the gospel and promote the discovery of Jesus in every community. Walking alongside churches in pursuing their mission, helping to overcome challenges and solve problems, and seeking to understand their unique circumstances and resources, Upward brings innovative solutions to create transformational sports experiences. Upward supports local churches with strategic consulting, logistics, materials, and spiritual support.

Upward also supports the local church’s mission by helping the local church engage with and serve their community through providing youth sports, including basketball, soccer, flag football, volleyball, cheerleading, and sports camps. As part of its partnership with the local church, Upward developed and provides to the local church a comprehensive sports ministry program. Churches are charged a per-participant fee to cover the cost of the program, including customer support, online resources, league management software and support, and others. These participant fees constitute the primary source of Upward’s revenue.

The Upward Star Center is a sports complex located in Spartanburg, South Carolina. The Star Center serves as a “living laboratory” to test and model new sports and concepts, and was designed to develop Christian leaders, coaches, referees, and partners to deliver the ultimate sports experience, while also serving as a training ground for young athletes.

In conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the consolidated financial statements of Upward include the accounts of the following organizations, which are separate legal entities. All significant interorganization transactions and balances have been eliminated in consolidation:

- Upward Unlimited Foundation (“the Foundation”) is a South Carolina nonprofit corporation. The Foundation’s purpose is to manage and administer certain assets for the benefit of Upward and to otherwise engage in activities that benefit Upward. Upward is the sole voting member of the Foundation.
- Upward Star Center, LLC (“the Star Center”) is a South Carolina limited liability company. The Star Center was formed to acquire, own, and maintain the Upward Star Center sports complex. Upward is the sole member of the Star Center.
- Upward Enterprises, Inc. (“Enterprises”) is a South Carolina corporation. Enterprises was formed to provide merchandise and other ancillary products and to promote Upward and its programs. Upward owns all outstanding shares of Enterprises. Enterprises does not engage in financial activities.
- The following legal entities were formed to facilitate the New Markets Tax Credit transaction described in Note H. None of these entities engage in financial transactions.

Upward Sports, LLC – a South Carolina limited liability company. Upward Unlimited is the sole member of this LLC.

Upward Fan, LLC and Tyger Lake Development, LLC – South Carolina limited liability companies. Upward Enterprises, Inc. is the sole member of each of these LLCs.

References to the Organization in these footnotes refer to the consolidated entity, unless otherwise stated.

UPWARD UNLIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Organization's program revenue and multi-sport center revenue is recorded in the period the service is provided or product is delivered.

Performance obligations are determined based on the nature of the services provided by the Organization. The Organization measures the performance obligation for program fees when a contract has been signed or the commencement of a period in which programs are provided, to the point when the Organization is no longer required to provide such services, which is generally at the completion of a contract or administration of services.

The Organization measures the transaction price of such revenue based on established rates per product or service. Revenue is recognized when earned.

The Organization recognizes cash contributions as revenue when the contributions are received by the Organization. Contributions received are recorded as support without or 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 consolidated statements of activities as "net assets released from restrictions."

Cash and cash equivalents

All investment instruments purchased or donated with original maturities of three months or less are considered to be cash equivalents.

Cash restricted for long-term purposes

Cash restricted for long-term purposes consist of amounts deposited into a sinking fund account held by a bank. See Note H.

Cash held for church partners

Cash held for church partners constitutes amounts received from individuals for Upward programs to be distributed to specific churches. Such amounts are remitted to churches bi-monthly. "Payable to church partners" represents the corresponding liability.

Investments

Investments consist primarily of mutual funds and are stated at estimated fair value.

Inventory

Inventory consists primarily of uniforms, sports equipment, and media items and is stated at the lower of cost or net realizable value, as determined by the average cost method. Inventory is stated net of an estimated reserve for obsolescence.

Property and equipment

Property and equipment is stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation is provided using the straight-line method over the expected useful lives of the respective assets.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net assets with donor restrictions consist of amounts restricted by donors for various operating programs.

UPWARD UNLIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

Income taxes

Upward and the Foundation are exempt from federal income tax as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. Each organization is further classified as a public charity and not a private foundation for federal tax purposes. The Star Center is a disregarded entity for federal income tax purposes. Enterprises is a taxable subsidiary, which is subject to both federal and state income taxes. Upward engages in certain unrelated business activities. Income taxes, if any, generated by Upward and Enterprises are immaterial and are recognized as expenses when paid. The Foundation has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying consolidated financial statements.

Use of estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these consolidated financial statements include those used in estimating the fair value of investments, the carrying value of inventory, and the useful lives of property and equipment. Actual results could differ from the estimates.

Reclassifications

Certain amounts included in the September 30, 2021 consolidated financial statements have been reclassified to conform to classifications adopted during the year ended September 30, 2022. The reclassifications had no material effect on the accompanying consolidated financial statements.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the date of the consolidated statements of financial position are as follows:

	September 30,	
	2022	2021
Cash and cash equivalents	\$ 4,312,555	\$ 3,751,046
Cash restricted for long-term purposes	—	1,715,753
Cash held for church partners	761,872	831,663
Investments	4,787,866	4,831,313
Accounts and other receivables, net	445,707	953,550
Total financial assets available within one year	10,308,000	12,083,325
Less: Amounts unavailable for general expenditure within one year		
Cash restricted for long-term purposes – sinking funds	—	(1,715,753)
Cash held for church partners (See Note B)	(761,872)	(831,663)
Due to donor restrictions	(67,942)	(67,942)
Net financial assets available within one year	\$ 9,478,186	\$ 9,467,967

UPWARD UNLIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Organization is primarily supported by program revenue and other support. As part of the Organization’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has certain assets limited to use by donors. Because a donor’s restriction requires resources to be used in a specific manner or in a future period, the Organization must maintain sufficient resources to meet its responsibilities to its donors. Thus, those financial assets are not available for general expenditure within one year of the consolidated statements of financial position, and are excluded from net financial assets available to meet general expenditures within one year. Management believes the Organization has sufficient liquid assets available for general operations that may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need.

NOTE D – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents in deposit accounts that may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE E – FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, U.S. GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Following is a description of each of the three levels of input within the fair value hierarchy:

- Level 1 – Unadjusted quoted market prices in active markets for identical items
- Level 2 – Other significant observable inputs, such as quoted prices for similar items
- Level 3 – Significant unobservable inputs

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The estimated fair value of investments, which are measured on a recurring basis at September 30, 2022, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 4,787,866	\$ 4,787,866	\$ —	\$ —
Total	<u>\$ 4,787,866</u>	<u>\$ 4,787,866</u>	<u>\$ —</u>	<u>\$ —</u>

UPWARD UNLIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – FAIR VALUE MEASUREMENTS (Continued)

The estimated fair value of investments, which are measured on a recurring basis at September 30, 2021, are as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 4,831,313	\$ 4,831,313	\$ —	\$ —
Total	<u>\$ 4,831,313</u>	<u>\$ 4,831,313</u>	<u>\$ —</u>	<u>\$ —</u>

NOTE F – INVENTORY

Inventory consisted of the following:

<u>Category</u>	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Uniforms, sports equipment, and media items	\$ 6,893,526	\$ 10,999,966
Reserve for obsolescence	<u>(4,692,472)</u>	<u>(3,826,403)</u>
Net inventory	<u>\$ 2,201,054</u>	<u>\$ 7,173,563</u>

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<u>Category</u>	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 15,729,531	\$ 15,729,531
Buildings and building improvements	19,540,553	19,540,553
Furniture, fixtures, and equipment	<u>6,155,492</u>	<u>6,128,189</u>
Total property and equipment	41,425,576	41,398,273
Less: Accumulated depreciation	<u>(18,710,098)</u>	<u>(17,038,156)</u>
Net property and equipment	<u>\$ 22,715,478</u>	<u>\$ 24,360,117</u>

Depreciation amounted to \$1,730,081 and \$1,842,051 for the years ended September 30, 2022 and 2021, respectively.

NOTE H – NOTES PAYABLE

During a prior year, the Organization obtained financing to partially fund the construction and outfitting of the Upward Star Center sports complex. The financing provided net proceeds of approximately \$15,000,000 to Upward Star Center, LLC. In conjunction with the financing, Upward Unlimited Foundation advanced a \$10,203,000 “Leverage Loan” to Upward Spartanburg Investment Fund, LLC (“the Fund”), a wholly-owned subsidiary of SunTrust Community Capital, LLC (“STCC”) to facilitate the provision of New Markets Tax Credit (“NMTC”) equity to subsidize the Upward Star Center sports complex construction and outfitting. The Leverage Loan in the amount of \$10,203,000 is included in “Note receivable” in the accompanying consolidated statement of financial position as of September 30, 2021.

UPWARD UNLIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H – NOTES PAYABLE (Continued)

Because the financing was obtained pursuant to a NMTC arrangement, the Star Center expected that it would not be required to repay a portion of the financing proceeds. This expectation was based on the assumption that STCC might voluntarily elect to sell its ownership interest in the Fund to the Foundation for \$1,000 at the end of the 7-year NMTC compliance period via a put/call agreement entered into by STCC and the Foundation at NMTC closing. In conjunction with STCC's exercise of the "put" and the exercise of various agreements, the Foundation acquired full (indirect or direct) ownership of the \$10,203,000 of NMTC loans to the Star Center, and the Foundation forgave the loans due from the Star Center. As a result, income in the form of a noncash contribution equal to the difference between the \$15,000,000 NMTC loans and the \$10,203,000 Leverage Loan (\$4,797,000) was recognized and is included in "noncash grant – release of notes payable obligations, net" in the accompanying consolidated statement of activities for the year ended September 30, 2022.

In connection with the financing arrangement described above, the Star Center entered into various loans. Each of the loans was collateralized as described in a certain credit agreement and other rights as described in the loan documents. The credit agreement contained certain financial covenants, the most restrictive of which required Upward and the Foundation, on a combined basis, to maintain a minimum debt service coverage ratio and a minimum total liquidity ratio, as those terms were described in the credit agreement. Furthermore, Upward and certain of its subsidiaries were unconditional guarantors for each of the loans. The annual interest rate on each of the loans was 2.7977%, with interest payable quarterly on the 5th day of each September, December, March, and June. Commencing on January 23, 2022, principal payments in amounts further described in the loan documents were scheduled to begin. All remaining unpaid principal and interest was schedule to be paid on January 23, 2045. The loans were not permitted to be prepaid in full or in part until after the seventh anniversary of the closing date of the loans in January 2022. As described above, the Foundation acquired full ownership of the loans to the Star Center which were forgiven in March, 2022.

Following are the specific loans (by lender) entered into by the Star Center in connection with this financing arrangement as of September 30, 2022 and 2021. None of the lenders listed below are related to Upward or any of its subsidiaries.

	September 30,	
	2022	2021
<u>Greenville New Markets Opportunity II ("GNMO II")</u>		
<u>Fund I, LLC (Lender)</u>		
Facility Note A	\$ —	\$ 6,802,000
Facility Note B	—	3,198,000
Subtotal GNMO II Fund, LLC	—	10,000,000
 <u>ST CDE XVII, LLC (Lender)</u>		
Facility Note	—	5,000,000
Total Star Center loans payable	—	15,000,000

In addition to the above, the Foundation entered into a promissory note payable to SunTrust Bank with interest payable quarterly at a fixed rate of 3.95% per annum until maturity in January 2022. The note was secured by certain deposit accounts maintained by the Foundation at SunTrust Bank, as well as collateral described in a certain credit agreement, which also required the Foundation to make deposits totaling \$2,000,000 over the seven-year NMTC compliance period described above. As of September 30, 2021, "cash restricted for long-term purposes" of approximately \$1,716,000 was held in the sinking fund account.

	—	2,000,000
Total notes payable	—	17,000,000

UPWARD UNLIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H – NOTES PAYABLE (Continued)

	<u>September 30.</u>	
	<u>2022</u>	<u>2021</u>
Total notes payable	\$ —	\$ 17,000,000
Less: unamortized loan costs	—	(693,729)
Notes payable, net	\$ —	\$ 16,306,271

Interest expense amounted to approximately \$200,000 and \$500,000 for the years ended September 30, 2022 and 2021, respectively.

NOTE I – EMPLOYEE RETENTION TAX CREDIT

During the year ended September 30, 2021, the Organization claimed approximately \$634,000 of employee retention tax credit with the Internal Revenue Service. This special employee retention tax credit created recently and temporarily by Congress effectively represents relief/stimulus payments from the federal government, with such payments being provided in the form of a refundable payroll tax credit. The employee retention tax credit is available to employers who meet one or more qualifying criteria established by law. Of the credit amount claimed by the Organization, approximately \$308,000 was received during the year ended September 30, 2021, and the Organization recorded a receivable for the remaining amount of approximately \$326,000 as of September 30, 2021. As a result of claiming the credit, approximately \$634,000 was recognized as "other revenue" in the accompanying consolidated statement of activities for the year ended September 30, 2021. The amount outstanding as of September 30, 2021 was collected during the year ended September 30, 2022.

NOTE J – RETIREMENT PLAN

Upward maintains a 401(k) plan ("the Plan"). Eligible employees may make elective deferral contributions to the Plan. Employer contributions to the Plan are discretionary. Upward made contributions to the Plan of approximately \$53,000 and \$54,000 during the years ended September 30, 2022 and 2021, respectively.

NOTE K – COMMITMENT

During the year ended September 30, 2021, the Organization entered into a contract with a certain retailer to develop and sell sport-specific uniforms on behalf of the Organization, subject to certain minimum order requirements. The contract was updated in September 2022. Pursuant to the terms of the contract, the Organization and the retailer agree to identify excess inventory held by the retailer and jointly agree to a utilization plan at the conclusion of the product cycle year, which is defined by the Organization and the retailer as June 30. Any unused product at the end of a product life cycle will be the sole responsibility of the Organization. The retailer will invoice the Organization for the cost of the inventory. As of September 30, 2022 and 2021, there was no obsolete inventory held by the retailer. All inventory held by the retailer as of September 30, 2022, valued at approximately \$1,900,000, is expected to be utilized in the coming fiscal year. The agreement expires June 30, 2026.

NOTE L – SUBSEQUENT EVENTS

Subsequent to September 30, 2022, the Organization entered into an agreement with an unrelated third party ("the Buyer") for the sale of certain property for \$11,250,000. Final closing is expected to occur after the due diligence period. The Buyer has the option to terminate the agreement until the end of the due diligence period.

UPWARD UNLIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - SUBSEQUENT EVENTS (Continued)

The Organization has evaluated for possible financial reporting and disclosure subsequent events through December 8, 2022, the date as of which the consolidated financial statements were available to be issued.

Supplemental Consolidating Statements

UPWARD UNLIMITED AND SUBSIDIARIES
 SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION
 September 30, 2022
 (UNAUDITED)

ASSETS

	Upward Unlimited	Upward Unlimited Foundation	Upward Star Center, LLC	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 4,204,443	\$ 108,112	\$ —	\$ —	\$ 4,312,555
Cash held for church partners	761,872	—	—	—	761,872
Investments	4,787,866	—	—	—	4,787,866
Investments in subsidiaries	4,556,676	—	—	(4,556,676)	—
Accounts and other receivables, net	445,707	—	—	—	445,707
Prepays and other assets	100,805	—	—	—	100,805
Inventory, net	2,201,054	—	—	—	2,201,054
Property and equipment, net	10,053,639	—	12,661,839	—	22,715,478
Total assets	<u>\$27,112,062</u>	<u>\$ 108,112</u>	<u>\$12,661,839</u>	<u>\$ (4,556,676)</u>	<u>\$35,325,337</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 939,711	\$ 105	\$ —	\$ —	\$ 939,816
Payable to church partners	761,872	—	—	—	761,872
Deferred revenue	28,622	—	—	—	28,622
Total liabilities	<u>1,730,205</u>	<u>105</u>	<u>—</u>	<u>—</u>	<u>1,730,310</u>

NET ASSETS

Without donor restrictions					
Undesignated	20,825,181	40,065	12,661,839	—	33,527,085
Capital investments	4,556,676	—	—	(4,556,676)	—
Total without donor restrictions	25,381,857	40,065	12,661,839	(4,556,676)	33,527,085
With donor restrictions	—	67,942	—	—	67,942
Total net assets	<u>25,381,857</u>	<u>108,007</u>	<u>12,661,839</u>	<u>(4,556,676)</u>	<u>33,595,027</u>
Total liabilities and net assets	<u>\$27,112,062</u>	<u>\$ 108,112</u>	<u>\$12,661,839</u>	<u>\$ (4,556,676)</u>	<u>\$35,325,337</u>

UPWARD UNLIMITED AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF FINANCIAL POSITION
September 30, 2021
(UNAUDITED)

ASSETS

	Upward Unlimited	Upward Unlimited Foundation	Upward Star Center, LLC	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 3,388,272	\$ 350,274	\$ 12,500	\$ —	\$ 3,751,046
Cash restricted for long-term purposes	—	1,715,753	—	—	1,715,753
Cash held for church partners	831,663	—	—	—	831,663
Investments	4,831,313	—	—	—	4,831,313
Investments in subsidiaries	4,656,320	—	—	(4,656,320)	—
Accounts and other receivables, net	923,791	29,759	61,833	(61,833)	953,550
Prepays and other assets	44,511	—	—	—	44,511
Inventory, net	7,173,563	—	—	—	7,173,563
Note receivable	—	10,203,000	—	—	10,203,000
Property and equipment, net	11,050,629	—	13,309,488	—	24,360,117
Total assets	<u>\$32,900,062</u>	<u>\$12,298,786</u>	<u>\$13,383,821</u>	<u>\$ (4,718,153)</u>	<u>\$53,864,516</u>

LIABILITIES AND NET ASSETS

LIABILITIES					
Accounts payable and accrued expenses	\$ 954,973	\$ 3,192	\$ 34,971	\$ (61,833)	\$ 931,303
Payable to church partners	831,663	—	—	—	831,663
Deferred revenue	22,743	—	—	—	22,743
Notes payable, net	(360,000)	1,979,593	14,686,678	—	16,306,271
Total liabilities	<u>1,449,379</u>	<u>1,982,785</u>	<u>14,721,649</u>	<u>(61,833)</u>	<u>18,091,980</u>
NET ASSETS					
Without donor restrictions					
Undesignated	26,794,363	10,248,059	(1,337,828)	—	35,704,594
Capital investments	4,656,320	—	—	(4,656,320)	—
Total without donor restrictions	31,450,683	10,248,059	(1,337,828)	(4,656,320)	35,704,594
With donor restrictions	—	67,942	—	—	67,942
Total net assets	<u>31,450,683</u>	<u>10,316,001</u>	<u>(1,337,828)</u>	<u>(4,656,320)</u>	<u>35,772,536</u>
Total liabilities and net assets	<u>\$32,900,062</u>	<u>\$12,298,786</u>	<u>\$13,383,821</u>	<u>\$ (4,718,153)</u>	<u>\$53,864,516</u>

UPWARD UNLIMITED AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2022
(UNAUDITED)

	Upward Unlimited	Upward Unlimited Foundation	Upward Star Center, LLC	Eliminations	Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
Public support and revenue					
Program revenue, net	\$ 12,381,575	\$ —	\$ —	\$ —	\$ 12,381,575
Multi-sport center revenue	980,415	—	—	—	980,415
Other revenue	458,019	—	—	—	458,019
Investment (loss) income, net	(24,675)	149,830	—	—	125,155
Rental income	—	—	309,167	(309,167)	—
Contributions	97,031	15	—	(93,823)	3,223
	<u>13,892,365</u>	<u>149,845</u>	<u>309,167</u>	<u>(402,990)</u>	<u>13,948,387</u>
Total public support and revenue					
Net assets released from restrictions					
Satisfaction of use restrictions	—	8,500	—	—	8,500
	<u>—</u>	<u>8,500</u>	<u>—</u>	<u>—</u>	<u>8,500</u>
Total public support and revenue and net assets released from restrictions	<u>13,892,365</u>	<u>158,345</u>	<u>309,167</u>	<u>(402,990)</u>	<u>13,956,887</u>
Expenses					
Program activities					
Sports ministry	14,806,517	145,570	1,198,251	(502,634)	15,647,704
Supporting activities					
General and administrative	2,224,982	17,769	111,249	—	2,354,000
	<u>17,031,499</u>	<u>163,339</u>	<u>1,309,500</u>	<u>(502,634)</u>	<u>18,001,704</u>
Total expenses					
Change in net assets without donor restrictions prior to release of notes payable obligations and write-down of obsolete inventory	(3,139,134)	(4,994)	(1,000,333)	99,644	(4,044,817)
Noncash grant - release of notes payable obligations, net	—	(10,203,000)	15,000,000	—	4,797,000
Write-down of obsolete inventory	(2,929,692)	—	—	—	(2,929,692)
	<u>(6,068,826)</u>	<u>(10,207,994)</u>	<u>13,999,667</u>	<u>99,644</u>	<u>(2,177,509)</u>
Change in net assets without donor restrictions					
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	—	8,500	—	—	8,500
Net assets released from restrictions	—	(8,500)	—	—	(8,500)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in net assets with donor restrictions					
CHANGE IN NET ASSETS	(6,068,826)	(10,207,994)	13,999,667	99,644	(2,177,509)
NET ASSETS - Beginning of year	31,450,683	10,316,001	(1,337,828)	(4,656,320)	35,772,536
NET ASSETS - End of year	<u>\$25,381,857</u>	<u>\$ 108,007</u>	<u>\$12,661,839</u>	<u>\$ (4,556,676)</u>	<u>\$33,595,027</u>

See The Accompanying Report of Independent Auditor

UPWARD UNLIMITED AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2021
(UNAUDITED)

	Upward Unlimited	Upward Unlimited Foundation	Upward Star Center, LLC	Eliminations	Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
Public support and revenue					
Program revenue, net	\$ 6,360,585	\$ —	\$ —	\$ —	\$ 6,360,585
Other revenue	2,540,947	—	—	—	2,540,947
Multi-sport center revenue	1,089,517	—	—	—	1,089,517
Investment income, net	139,185	357,270	—	—	496,455
Rental income	—	—	625,333	(625,333)	—
Contributions	4,614	284	—	—	4,898
Total public support and revenue	10,134,848	357,554	625,333	(625,333)	10,492,402
Net assets released from restrictions					
Satisfaction of use restrictions	—	1,000	—	—	1,000
Total public support and revenue and net assets released from restrictions	10,134,848	358,554	625,333	(625,333)	10,493,402
Expenses					
Program activities					
Sports ministry	10,698,474	1,000	1,372,955	(807,455)	11,264,974
Supporting activities					
General and administrative	2,287,974	88,634	54,307	—	2,430,915
Total expenses	12,986,448	89,634	1,427,262	(807,455)	13,695,889
Change in net assets without donor restrictions prior to write-down of obsolete inventory	(2,851,600)	268,920	(801,929)	182,122	(3,202,487)
Write-down of obsolete inventory	(403,006)	—	—	—	(403,006)
Change in net assets without donor restrictions	(3,254,606)	268,920	(801,929)	182,122	(3,605,493)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	—	1,000	—	—	1,000
Net assets released from restrictions	—	(1,000)	—	—	(1,000)
Change in net assets with donor restrictions	—	—	—	—	—
CHANGE IN NET ASSETS	(3,254,606)	268,920	(801,929)	182,122	(3,605,493)
NET ASSETS - Beginning of year	34,705,289	10,047,081	(535,899)	(4,838,442)	39,378,029
NET ASSETS - End of year	31,450,683	10,316,001	(1,337,828)	(4,656,320)	35,772,536

See The Accompanying Report of Independent Auditor