



UPWARD UNLIMITED AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020





REPORT OF INDEPENDENT AUDITOR

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

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, 2021 and 2020, 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated 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 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, 2021 and 2020, the consolidated changes in their net assets, and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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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, 2021 and 2020 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
January 13, 2022

UPWARD UNLIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,751,046	\$ 5,367,936
Cash restricted for long-term purposes	1,715,753	1,429,879
Cash held for church partners	831,663	241,481
Investments	4,831,313	5,813,551
Accounts and other receivables, net	953,550	589,957
Prepays and other assets	44,511	108,198
Inventory, net	7,173,563	7,708,448
Note receivable	10,203,000	10,203,000
Property and equipment, net	24,360,117	25,737,997
Total assets	\$ 53,864,516	\$ 57,200,447

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 931,303	\$ 1,203,978
Payable to church partners	831,663	241,481
Deferred revenue	22,743	99,593
Notes payable, net	16,306,271	16,277,366
Total liabilities	18,091,980	17,822,418
NET ASSETS		
Without donor restrictions	35,704,594	39,310,087
With donor restrictions	67,942	67,942
Total net assets	35,772,536	39,378,029
Total liabilities and net assets	\$ 53,864,516	\$ 57,200,447

UPWARD UNLIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Year Ended September 30, 2021			For The Year Ended September 30, 2020
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Program revenue, net	\$ 6,360,585	\$ —	\$ 6,360,585	\$ 13,207,034
Other revenue	2,540,947	—	2,540,947	1,553,237
Multi-sport center revenue	1,089,517	—	1,089,517	1,119,868
Investment income, net	496,455	—	496,455	376,553
Contributions without donor restrictions	4,898	—	4,898	8,125
Contributions with donor restrictions	—	1,000	1,000	1,805
Net assets released from restrictions	<u>1,000</u>	<u>(1,000)</u>	<u>—</u>	<u>—</u>
Total public support and revenue and net assets released from restrictions	<u>10,493,402</u>	<u>—</u>	<u>10,493,402</u>	<u>16,266,622</u>
EXPENSES				
Program activities				
Sports ministry	11,667,980	—	11,667,980	13,673,952
Supporting activities				
General and administrative	<u>2,430,915</u>	<u>—</u>	<u>2,430,915</u>	<u>3,663,428</u>
Total expenses	<u>14,098,895</u>	<u>—</u>	<u>14,098,895</u>	<u>17,337,380</u>
Change in net assets without donor restrictions	(3,605,493)	—	(3,605,493)	(1,053,582)
Change in net assets with donor restrictions	<u>—</u>	<u>—</u>	<u>—</u>	<u>(17,176)</u>
CHANGE IN NET ASSETS	(3,605,493)	—	(3,605,493)	(1,070,758)
NET ASSETS - Beginning of year	<u>39,310,087</u>	<u>67,942</u>	<u>39,378,029</u>	<u>40,448,787</u>
NET ASSETS - End of year	<u>\$ 35,704,594</u>	<u>\$ 67,942</u>	<u>\$ 35,772,536</u>	<u>\$ 39,378,029</u>

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

UPWARD UNLIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended	
	September 30,	
	2021	2020
OPERATING CASH FLOWS		
Cash received from program revenue	\$ 7,009,659	\$ 14,342,941
Cash received from other revenue	2,540,947	1,260,318
Cash received from investments	426,627	557,890
Cash received from contributors	5,898	9,930
Cash paid for operating activities and costs	(10,812,108)	(16,193,276)
Interest paid	(499,752)	(499,972)
Net operating cash flows	(1,328,729)	(522,169)
INVESTING CASH FLOWS		
Proceeds from sales of investments, net	1,052,066	2,207,250
Purchases of and improvements to property and equipment	(464,171)	(637,333)
Net investing cash flows	587,895	1,569,917
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(740,834)	1,047,748
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
- Beginning of year	7,039,296	5,991,548
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
- End of year	\$ 6,298,462	\$ 7,039,296
REPORTED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS FOLLOWS		
Cash and cash equivalents	\$ 3,751,046	\$ 5,367,936
Cash restricted for long-term purposes	1,715,753	1,429,879
Cash held for church partners	831,663	241,481
Total cash, cash equivalents, and restricted cash	\$ 6,298,462	\$ 7,039,296
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ (3,605,493)	\$ (1,070,758)
Adjustments to reconcile change in net assets to net operating cash flows		
Depreciation and amortization	1,870,956	1,643,831
Write-down of inventory	403,006	388,124
Net (gain) loss on investments	(69,828)	181,337
Change in accounts and other receivables, net	(363,593)	134,696
Change in prepaids and other assets	63,687	(4,820)
Change in inventory, net	131,879	(732,224)
Change in accounts payable and accrued expenses	(272,675)	(395,783)
Change in payable to church partners	590,182	(547,915)
Change in deferred revenue	(76,850)	(118,657)
Net operating cash flows	\$ (1,328,729)	\$ (522,169)

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
Inventory obsolescence	403,006	—	403,006
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>\$ 11,667,980</u>	<u>\$ 2,430,915</u>	<u>\$ 14,098,895</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, 2020

	<u>Program Activities</u>	<u>Supporting Activities</u>	
	<u>Sports Ministry</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 3,612,501	\$ 2,482,185	\$ 6,094,686
Cost of goods sold - product costs	5,125,831	—	5,125,831
Depreciation	1,496,502	118,423	1,614,925
Outside services	272,593	495,733	768,326
Other operating expenses	389,157	337,004	726,161
Occupancy	623,647	30,658	654,305
Interest and amortization of loan costs	418,034	110,843	528,877
Freight	447,586	20,874	468,460
Inventory obsolescence	388,124	—	388,124
Supplies	379,422	5,490	384,912
Insurance and taxes	170,086	14,593	184,679
Telephone and internet	98,183	8,262	106,445
Travel	79,707	8,685	88,392
Donations	75,530	—	75,530
Training	59,578	1,618	61,196
Marketing and advertising	—	28,615	28,615
Conference and meetings	25,521	445	25,966
Donated inventory and resources	11,950	—	11,950
Total expenses	<u>\$ 13,673,952</u>	<u>\$ 3,663,428</u>	<u>\$ 17,337,380</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)

New accounting pronouncement

Financial Accounting Standards Board Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) is effective for the Organization's consolidated financial statements for the year ended September 30, 2021. The ASU generally applies to organizations that enter into contracts with customers to transfer goods or services and establishes a performance obligation to revenue recognition. The adoption of the ASU had no effect on the Organization's consolidated net assets as of October 1, 2019, or the consolidated change in net assets for the years ended September 30, 2021 or 2020.

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.

Economic uncertainties

In January 2020, the World Health Organization ("WHO") announced a global health emergency (related to the outbreak of a virus originating in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic ("the pandemic"). Management is closely monitoring the potential impact of the pandemic on the Ministry's financial condition and has taken actions to mitigate its impact. Such actions include availing the Ministry of relief measures available under federal law and reducing the overall scope and cost of operations. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity for the year ending September 30, 2022.

Reclassifications

Certain amounts included in the September 30, 2020 consolidated financial statements have been reclassified to conform to classifications adopted during the year ended September 30, 2021. The reclassifications had no material effect on the accompanying consolidated financial statements.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through January 13, 2022, the date as of which the consolidated financial statements were available to be issued.

UPWARD UNLIMITED AND SUBSIDIARIES
NOTES TO 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,	
	2021	2020
Cash and cash equivalents	\$ 3,751,046	\$ 5,367,936
Cash restricted for long-term purposes	1,715,753	1,429,879
Cash held for church partners	831,663	241,481
Investments	4,831,313	5,813,551
Accounts and other receivables, net	953,550	589,957
Total financial assets available within one year	12,083,325	13,442,804
Less: Amounts unavailable for general expenditure within one year		
Cash restricted for long-term purposes – sinking funds	(1,715,753)	(1,429,879)
Cash held for church partners (See Note B)	(831,663)	(241,481)
Due to donor restrictions	(67,942)	(67,942)
Net financial assets available within one year	\$ 9,467,967	\$ 11,703,502

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. As described in Note K, the Organization had a revolving line of credit in an amount up to \$4,000,000 for the year ended September 30, 2020. The Organization canceled the line of credit during the year ended September 30, 2021. 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 – INVESTMENTS

Investments consisted of the following:

Category	September 30,	
	2021	2020
Mutual funds	\$ 4,831,313	\$ 5,467,775
Government obligations	—	254,426
Cash held in overnight sweep account	—	91,350
Total investments	\$ 4,831,313	\$ 5,813,551

UPWARD UNLIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – INVESTMENTS (Continued)

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, 2021, are as follows:

	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 4,831,313	\$ 4,831,313	\$ —	\$ —
Total	\$ 4,831,313	\$ 4,831,313	\$ —	\$ —

The estimated fair value of investments, which are measured on a recurring basis at September 30, 2020, are as follows:

	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 5,467,775	\$ 5,467,775	\$ —	\$ —
Government obligations	254,426	254,426	—	—
Total	\$ 5,722,201	\$ 5,722,201	\$ —	\$ —

NOTE F – INVENTORY

Inventory consisted of the following:

Category	September 30.	
	2021	2020
Uniforms, sports equipment, and media items	\$ 10,999,966	\$ 11,509,234
Reserve for obsolescence	(3,826,403)	(3,800,786)
Net inventory	\$ 7,173,563	\$ 7,708,448

UPWARD UNLIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	September 30,	
	2021	2020
Land and land improvements	\$ 15,729,531	\$ 15,729,531
Buildings and building improvements	19,540,553	19,641,788
Furniture, fixtures, and equipment	6,128,189	5,955,887
Total property and equipment	41,398,273	41,327,206
Less: Accumulated depreciation	(17,038,156)	(15,589,209)
Net property and equipment	\$ 24,360,117	\$ 25,737,997

Depreciation amounted to \$1,842,051 and \$1,614,925 for the years ended September 30, 2021 and 2020, 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 statements of financial position.

Because the financing was obtained pursuant to a NMTC arrangement, the Star Center expects that it will not be required to repay a portion of the financing proceeds. This expectation is based on the assumption that STCC may 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 expected exercise of the “put”, the Foundation thus expects it would acquire full (indirect or direct) ownership of the \$10,203,000 of NMTC loans to the Star Center. If the Foundation does so, management estimates that 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 (approximately \$4,797,000) will be recognized in a future period if and when the anticipated transaction described above between STCC and the Foundation occurs. The Foundation and the Star Center could then make favorable arrangements between the entities regarding the loans going forward.

In connection with the financing arrangement described above, the Star Center entered into various loans. Each of the loans is collateralized as described in a certain credit agreement and other rights as described in the loan documents. The credit agreement contains certain financial covenants, the most restrictive of which requires 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 are described in the credit agreement. Furthermore, Upward and certain of its subsidiaries are unconditional guarantors for each of the loans. The annual interest rate on each of the loans is 2.7977%, with interest payable quarterly on the 5th day of each September, December, March, and June until the loans are paid. Commencing on January 23, 2022, principal payments in amounts further described in the loan documents are required. All unpaid principal and interest is due on January 23, 2045. The loans cannot be prepaid in full or in part until after the seventh anniversary of the closing date of the loans (January 2022), at which time prepayment in full or in part may be made.

UPWARD UNLIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H – NOTES PAYABLE (Continued)

Following are the specific loans (by lender) entered into by the Star Center in connection with this financing arrangement as of September 30, 2021 and 2020. None of the lenders listed below are related to Upward or any of its subsidiaries.

	September 30,	
	2021	2020
<u>Greenville New Markets Opportunity II (“GNMO II”)</u>		
<u>Fund I, LLC (Lender)</u>		
Facility Note A	\$ 6,802,000	\$ 6,802,000
Facility Note B	3,198,000	3,198,000
Subtotal GNMO II Fund, LLC	10,000,000	10,000,000
 <u>ST CDE XVII, LLC (Lender)</u>		
Facility Note	5,000,000	5,000,000
Total Star Center loans payable	15,000,000	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 is secured by certain deposit accounts maintained by the Foundation at SunTrust Bank, as well as collateral described in a certain credit agreement, which also requires the Foundation to make deposits totaling \$2,000,000 over the seven-year NMTC compliance period described above. As of September 30, 2021 and 2020, “cash restricted for long-term purposes” of approximately \$1,716,000 and \$1,430,000, respectively, was held in the sinking fund account.

	2,000,000	2,000,000
Total notes payable	17,000,000	17,000,000
Less: unamortized loan costs	(693,729)	(722,634)
Notes payable, net	\$ 16,306,271	\$ 16,277,366

Approximate future maturities of notes payable (including required sinking fund payments) by year for the next five years and thereafter is as follows:

<u>Year Ending</u> <u>September 30,</u>			
2022		\$	2,486,000
2023			472,000
2024			486,000
2025			499,000
2026			513,000
Thereafter			12,544,000
Total		\$	17,000,000

Interest expense amounted to approximately \$500,000 for each of the years ended September 30, 2021 and 2020.

UPWARD UNLIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I – EMPLOYEE RETENTION TAX CREDIT

During the years ended September 30, 2021 and 2020, the Organization claimed approximately \$634,000 and \$293,000, respectively, 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 and \$7,000 was received during the years ended September 30, 2021 and 2020, respectively, and the Organization recorded a receivable for the remaining amount of approximately \$326,000 and \$286,000 as of September 30, 2021 and 2020, respectively. As a result of claiming the credit, approximately \$634,000 and \$293,000 was recognized as "other revenue" in the accompanying consolidated statements of activities for the years ended September 30, 2021 and 2020, respectively.

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 \$54,000 and \$78,000 during the years ended September 30, 2021 and 2020, respectively.

NOTE K – COMMITMENT

During the year ended September 30, 2020, the Organization had available a revolving line of credit with a bank in an amount up to \$4,000,000, which was secured by certain collateral as described in the loan documents. Advances under the line of credit bore interest at the one-month LIBOR plus 1.75% per annum (with a floor of 3%). No amount was advanced to the Organization under the line of credit during the years ended September 30, 2020 and 2021. The Organization canceled the line of credit during the year ended September 30, 2021.

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. 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 operational year, which is defined by the Organization and the retailer as March 31. Any obsolescent inventory will be carried by the retailer for a period of no longer than six months after the conclusion of the operational year. After the six-month period, the retailer will ship and invoice to the Organization the remaining obsolete product. As of September 30, 2021, there was no obsolete inventory held by the retailer. All inventory held by the retailer as of September 30, 2021, valued at approximately \$2,568,000, is expected to be utilized in the coming fiscal year. The agreement expires December 31, 2025.

Supplemental Consolidating Statements

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 FINANCIAL POSITION
September 30, 2020
(UNAUDITED)

ASSETS

	Upward Unlimited	Upward Unlimited Foundation	Upward Star Center, LLC	Eliminations	Total
ASSETS					
Cash and cash equivalents	\$ 4,976,566	\$ 366,370	\$ 25,000	\$ —	\$ 5,367,936
Cash restricted for long-term purposes	—	1,429,879	—	—	1,429,879
Cash held for church partners	241,481	—	—	—	241,481
Investments	5,813,551	—	—	—	5,813,551
Investments in subsidiaries	4,838,442	—	—	(4,838,442)	—
Accounts and other receivables, net	560,198	29,759	38,500	(38,500)	589,957
Prepays and other assets	108,198	—	—	—	108,198
Inventory, net	7,708,448	—	—	—	7,708,448
Note receivable	—	10,203,000	—	—	10,203,000
Property and equipment, net	<u>11,628,802</u>	<u>—</u>	<u>14,109,195</u>	<u>—</u>	<u>25,737,997</u>
Total assets	<u>\$35,875,686</u>	<u>\$12,029,008</u>	<u>\$14,172,695</u>	<u>\$(4,876,942)</u>	<u>\$57,200,447</u>

LIABILITIES AND NET ASSETS

LIABILITIES					
Accounts payable and accrued expenses	\$ 1,204,323	\$ 3,184	\$ 34,971	\$ (38,500)	\$ 1,203,978
Payable to church partners	241,481	—	—	—	241,481
Deferred revenue	99,593	—	—	—	99,593
Notes payable, net	<u>(375,000)</u>	<u>1,978,743</u>	<u>14,673,623</u>	<u>—</u>	<u>16,277,366</u>
Total liabilities	<u>1,170,397</u>	<u>1,981,927</u>	<u>14,708,594</u>	<u>(38,500)</u>	<u>17,822,418</u>
NET ASSETS					
Without donor restrictions					
Undesignated	29,866,847	9,979,139	(535,899)	—	39,310,087
Capital investments	<u>4,838,442</u>	<u>—</u>	<u>—</u>	<u>(4,838,442)</u>	<u>—</u>
Total without donor restrictions	34,705,289	9,979,139	(535,899)	(4,838,442)	39,310,087
With donor restrictions	<u>—</u>	<u>67,942</u>	<u>—</u>	<u>—</u>	<u>67,942</u>
Total net assets	<u>34,705,289</u>	<u>10,047,081</u>	<u>(535,899)</u>	<u>(4,838,442)</u>	<u>39,378,029</u>
Total liabilities and net assets	<u>\$35,875,686</u>	<u>\$12,029,008</u>	<u>\$14,172,695</u>	<u>\$(4,876,942)</u>	<u>\$57,200,447</u>

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	11,101,480	1,000	1,372,955	(807,455)	11,667,980
Supporting activities					
General and administrative	2,287,974	88,634	54,307	—	2,430,915
Total expenses	13,389,454	89,634	1,427,262	(807,455)	14,098,895
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

UPWARD UNLIMITED AND SUBSIDIARIES
SUPPLEMENTAL CONSOLIDATING STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2020
(UNAUDITED)

	Upward Unlimited	Upward Unlimited Foundation	Upward Star Center, LLC	Upward Enterprises, Inc.	Eliminations	Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS						
Public support and revenue						
Program revenue, net	\$ 13,207,034	\$ —	\$ —	\$ —	\$ —	\$ 13,207,034
Other revenue	1,553,237	—	—	—	—	1,553,237
Multi-sport center revenue	1,119,868	—	—	—	—	1,119,868
Investment income, net	19,129	357,424	—	—	—	376,553
Rental income	—	—	462,000	—	(462,000)	—
Contributions	81,746	104	—	—	(73,725)	8,125
Total public support and revenue	15,981,014	357,528	462,000	—	(535,725)	16,264,817
Net assets released from restrictions						
Satisfaction of use restrictions	—	18,981	—	—	—	18,981
Total public support and revenue and net assets released from restrictions	15,981,014	376,509	462,000	—	(535,725)	16,283,798
Expenses						
Program activities						
Sports ministry	12,930,706	75,528	1,245,691	940	(578,913)	13,673,952
Supporting activities						
General and administrative	3,523,504	85,174	54,750	—	—	3,663,428
Total expenses	16,454,210	160,702	1,300,441	940	(578,913)	17,337,380
Change in net assets without donor restrictions	(473,196)	215,807	(838,441)	(940)	43,188	(1,053,582)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS						
Contributions	—	1,805	—	—	—	1,805
Net assets released from restrictions	—	(18,981)	—	—	—	(18,981)
Change in net assets with donor restrictions	—	(17,176)	—	—	—	(17,176)
CHANGE IN NET ASSETS	(473,196)	198,631	(838,441)	(940)	43,188	(1,070,758)
NET ASSETS - Beginning of year	35,178,485	9,848,450	302,542	940	(4,881,630)	40,448,787
NET ASSETS - End of year	\$34,705,289	\$10,047,081	\$ (535,899)	\$ —	\$ (4,838,442)	\$39,378,029

See The Accompanying Report of Independent Auditor